Ten Humans and a Banker

Ten humans decide they want to start their own community, but they have no common "money" to build their economy on. A banker from a nearby town offers to *help them out*, and they accept. So, the banker prints $100 worth of new money in his basement, loans each person in the community $10, and agrees to accept interest-only payments on the loans at a rate of ten percent. (A tiny $1.00 interest payment per person, per year.)

So, the new community begins with a *total* money supply of $100. Prices in the community are set according to this money supply and everything seems fine.

At the end of the first year, the banker gathers everyone together to collect his interest. Each of the ten people surrenders their $1 interest-only payment, but none of them stops to consider that, after making the payment, all ten of them *still owe* the banker $10 each. How can everyone pay their debt if the community's total money supply is now only $90? There are no longer enough dollars in circulation to pay the banker the $100 he is owed.

Side Note: The banker *could* spend the $10 worth of interest payments he collected back into the economy and this would raise the community's money supply back to $100, but he won't do that. For now, the people will be left with only $90 to pay $100 in debt.

Although the common people might not have figured out their debt predicament, *they have* noticed that getting a *fair price* for their products and services seems a little tougher than the year before. Prices, across the board, are dropping and they're not sure why. ...But the banker understands why. He knows that there are fewer dollars in circulation and this raises the value or *purchasing power* of each dollar. As the value of each dollar goes up, the number of dollars a customer is willing to pay (in exchange for another person's products or services) goes down.

By the end of the second year a successful businessman, who has managed to accumulate $15, makes his interest payment *AND* pays off his debt in full. So, as everyone else makes their second $1.00 "interest-only" payment, he pays both the interest due and the $10 he originally borrowed. This reduces the community's total money supply by another

$20. ($10 is lost to interest payments, plus another $10 leaves the economy due to the businessman's $10 principal payment.) There are now only 70 dollars to be shared by all ten people in the community and nine people still owe the banker the full $10 they originally borrowed ($90 in total debt).

Two more years pass and two more people manage to earn enough to pay off their debts. By the end of the fourth year, the money supply has shrunk by another $38. ($18 in interest payments plus another $20 from the two individuals who, despite the difficulty, earned enough from the shrinking money supply to pay off their loans.) There are now only **$32** left in the community, to be shared among all ten people and seven of those people still owe the banker $10 each ($70 total).

At this point, it will be nearly impossible for those who are still in debt to make their $1.00 interest payments, let alone pay off their debt. Where once there was $10 for each person in the community, there is now only $3.20. With so few dollars left in circulation, the purchasing power of each dollar has gone through the roof. Prices have fallen drastically and the economy is in shambles. If the banker does not *help the* *people out* (by putting more money back into the community), bankruptcies are inevitable; bank seizure of property is inevitable, financial ruin is inevitable. [1]

The successful businessman who paid his debt off first approaches the banker. He explains to the banker that the people *want* to work; it's just that times are tough. At its height, his business employed half the town. Now, he is down to just a couple employees and he has had to cut their pay...he just can't afford the $2.00 per year salary anymore, and even at that rate, HALF of their pay is being eaten up by their annual interest payment. They can barely feed themselves!

He points out, if the banker agrees to fund a new and ambitious project, the town will spring to life. There will be jobs for all and the suffering will end. But he also points out, without the project, many people are likely to default on their loans...the businessman just doesn't see how the people will be able to continue making their payments in such a depressed economy. "Please Mr. Banker," he says, "you've got to help us out."

The banker agrees to the loan, and it's a whopper ($100). The businessman is ecstatic.

Shaking the banker's hand, he promises to *make good* on the loan. He's not only certain his new venture will be profitable, he's certain the whole town will benefit. "Oh, thank you Mr. Banker" he says sincerely, "you have done a good thing here!"

But nobody stops to think that there is now $132.00 in the economy to cover $170.00 of debt. And each year, $10 in interest will be due on the new $100 loan and $7 will be due on the $70 that was unpaid from before. The banker knows the math...and with a smile on his face he creates the $100 *out of thin air* and the cycle starts over.

Welcome to the debt-based monetary system. Whether it is a small community or a powerful nation, any economy built on this fraudulent system is doomed. Its debt is mathematically inescapable and, if the people start paying down their debts, or if the banks simply refuse to renew loans, the money supply will evaporate and financial ruin will follow.

When the Federal Government talks about "paying off the national debt" it is LYING to you. It cannot do this without destroying our economy. The bankers that created our Federal Reserve System in 1913 built *dependency* into the system. It was designed to create ever-expanding, inescapable debt. By inflating and deflating the money supply, our wealth (as a nation and as individuals) is at the mercy of the bankers.

We must free ourselves from this monetary system. We must demand honest money.