

# The Alberta Advantage: Wealth-Backed Money Creation vs. Debt-Based Finance

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## 1 Executive Summary

Alberta faces a critical juncture where transforming its monetary system from debt-based to wealth-backed money creation could eliminate over \$20 billion in annual interest payments currently extracted from the provincial economy. This paper examines the profound economic implications of enabling Albertans to create money by attesting their existing wealth rather than borrowing at interest, demonstrating how this shift would fundamentally improve household finances, business competitiveness, and provincial fiscal capacity.

The analysis reveals that transitioning to wealth-backed money creation would reduce the effective cost of home ownership by over 40%, eliminate the interest burden that at times forces up to a third of Alberta farms to operate at a loss, and free up over \$3 billion annually in provincial debt servicing for productive investment.

These benefits flow from a simple principle: when money is created through wealth attestation rather than debt origination, the interest burden that currently transfers wealth from producers to financial intermediaries disappears, leaving that value in the hands of Alberta families and businesses.

## 2 Introduction: The Hidden Cost of Debt-Based Money

Every dollar circulating in Alberta's economy originated as someone's debt to a bank. When an Alberta family takes out a mortgage, the bank creates new money by typing numbers into an account, as Werner (2014) empirically demonstrated. The family provides real collateral - their future home - and commits to decades of interest payments, while the bank risks *no* existing assets and creates the loan principal from nothing through accounting entries.

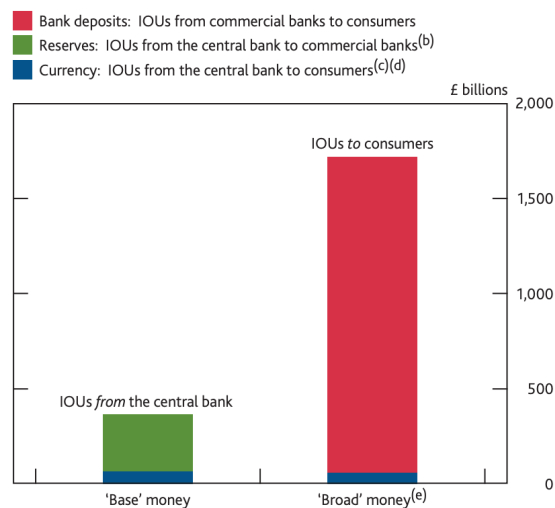
This system imposes a hidden tax on every economic transaction in Alberta. The province's households currently carry \$197 billion in mortgage debt and pay approximately \$10 billion annually in mortgage interest alone. Alberta businesses shoulder an additional \$203 billion in debt with corresponding interest obligations. Meanwhile, the provincial government itself pays \$3.2 billion yearly servicing its \$82.8 billion debt<sup>1</sup>. Collectively, Albertans transfer over \$23 billion annually to financial institutions simply for the privilege of using money that banks create costlessly through regulatory exemption.

The alternative - wealth-backed money creation - would enable Albertans to monetize their existing assets without interest obligations. Instead of borrowing against a home and paying interest for 25 years, a homeowner could attest the property's value, create Alberta Bucks equivalent to a portion of that value, and use those units for transactions while retaining full use of their property. The obligation would simply be to redeem the created units if selling the property, with no interest accumulation over time.

### 3 The Mechanics of Money Creation: Debt vs. Wealth

Let's briefly address this claim that "Broad" money is created primarily by commercial bank lending. To quote the Bank of England's *Money in the Modern Economy* (2014): <sup>2</sup>

**Chart 1** Amounts of money in circulation<sup>(a)</sup>



- (a) All data are for December 2013.  
 (b) Reserves balances at the Bank of England held by banks and building societies, non seasonally adjusted. Data are measured as the monthly average of weekly data.  
 (c) Currency in base money includes notes and coin in circulation outside the Bank of England, including those in banks' and building societies' tills. Data are measured as the monthly average of weekly data.  
 (d) Currency in broad money includes only those notes and coins held by the non-bank private sector, measured as the month-end position.  
 (e) M4 excluding intermediate other financial corporations.

#### How are they created?

Unlike currency, which is created by the Bank of England, **bank deposits are mostly created by commercial banks themselves**. Although the stock of bank deposits increases whenever someone pays banknotes into their account, the amount of bank deposits is also reduced any time anyone makes a withdrawal. Moreover, as **Chart 1** shows, the amount of currency is very small compared to the amount of bank deposits. Far more important for the creation of bank deposits is the act of making new loans by banks. When a bank makes a loan to one of its customers it simply credits the customer's account with a higher deposit balance. At that instant, new money is created.

Banks can create new money because bank deposits are just IOUs of the bank; banks' ability to create IOUs is no different to anyone else in the economy. When the bank makes a loan, the borrower has also created an IOU of their own to the bank. The only difference is that for the reasons discussed earlier, the bank's IOU (the deposit) is widely accepted as a medium of exchange — it is money.

Most money circulating is indeed created through debt transactions at commercial banks. But what does this really mean, in practice?

<sup>1</sup> Alberta 2025-28 Fiscal Plan Alberta Budget 2025

<sup>2</sup> Bank of England *Money in the Modern Economy* 2024, pp11

### 3.1 Current Debt-Based System

Under the existing system, money creation follows a perverse logic that enriches financial intermediaries at the expense of productive economy participants. When an Alberta farmer needs \$500,000 to purchase equipment, the lending bank performs the following operations:

The bank creates a loan asset of \$500,000 representing the farmer's promise to repay, and simultaneously creates a \$500,000 deposit liability. No existing bank funds move or become unavailable. The bank's balance sheet expands by the stroke of a pen. The farmer, however, pledges real collateral - perhaps the farm itself - and commits to paying \$68,000/yr 6% annual interest, totaling \$180,000 over a 10-year term.

The economic absurdity becomes clear when examining what each party contributes. The farmer provides genuine valuable consideration through collateral and productive labor to generate repayment capacity. The bank provides an accounting entry made possible solely by its regulatory exemption from Client Money Rules, as Werner (2014) documented. Yet the farmer pays \$180,000 for this costless bank operation while risking losing the collateralized assets if unable to maintain payments.

### 3.2 Wealth-Backed Alternative

Consider the same farmer under a wealth-backed system. The farmer owns \$2 million in land, equipment, and stored grain. Through a wealth attestation process similar to current property assessment methods, these assets are verified and valued. The farmer can then create Alberta Bucks equivalent to 50%<sup>3</sup> of the attested value - \$1 million - while retaining full use and benefit of the assets.

The critical difference emerges in the payment structure. Rather than paying interest to a bank, the farmer pays only insurance premiums to protect against asset loss; typically 0.5% to 1% annually for agricultural assets. On \$500,000 in created money, this represents \$2,500 to \$5,000 yearly versus \$30,000 in bank interest. The \$25,000+ annual difference remains in the farm operation, funding expansion, equipment modernization, or household consumption.

The balance sheet operations also differ fundamentally. The farmer's personal balance sheet shows an asset (the pledged wealth) and a liability (the obligation to redeem Alberta Bucks if selling the asset). The provincial monetary system shows the created Alberta Bucks backed by the attested wealth. No interest accumulates because no party provided funds that became unavailable - the money was created through wealth attestation, not borrowed from existing pools.

## 4 Household Impact: Transforming Home Ownership Economics

### 4.1 Mortgage Debt Transformation

Alberta households currently carry \$197 billion in mortgage debt, with the average mortgage standing at \$380,000. Under conventional financing at current rates around 5.5%, a family pays approximately \$21,000 annually in interest during the first years of their mortgage. Over a 25-year amortization, they will pay roughly \$275,000 in interest on top of the \$380,000 principal, meaning they effectively purchase their home 1.7 times.

Under wealth-backed money creation, the same family could attest their home's value and create Alberta Bucks to purchase it outright. They would pay annual insurance costs of perhaps 0.2% (given the stability of residential real estate), or \$760 yearly. The obligation would be to redeem

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<sup>3</sup>A dynamic Credit Factor 'K' is computed which maintains a zero inflation rate.

the Alberta Bucks if selling the home, but no interest would accumulate during ownership. The family saves \$20,000+ annually, funds that can support local consumption, education investment, or business formation.

The macroeconomic implications multiply across Alberta's 580,000 mortgaged households. If even half transition to wealth-backed financing, the province retains \$5.8 billion annually that currently flows to financial institutions. This money recirculates through local economies, supporting retail businesses, services, and employment rather than enriching distant shareholders.

## 4.2 Vehicle Financing Liberation

Alberta households also carry approximately \$12 billion in vehicle debt, paying roughly \$600 million annually in auto loan interest. The average vehicle loan of \$35,000 at 7% interest costs \$2,450 yearly in interest payments. Under wealth-backed creation, a family could attest their vehicle's value and create Alberta Bucks without interest obligations.

The transformation becomes more powerful when considering that vehicles are depreciating assets. Under debt financing, families pay interest on a declining value; a form of double loss. Under wealth-backed creation, the obligation to redeem simply tracks the declining asset value, with no interest penalty compounding the depreciation impact. A family might pay \$100 annually in insurance premiums versus \$2,450 in interest, freeing \$2,350 yearly for productive uses.

# 5 Business Transformation: From Debt Servitude to Productive Investment

## 5.1 Agricultural Sector Liberation

Alberta's agricultural sector demonstrates the crushing weight of debt-based finance most starkly. The province's farms carry \$37.4 billion <sup>4</sup> in debt, with average interest costs consuming a third <sup>5</sup> of the \$5.7 billion in Alberta's farm cash income. Many operations exist primarily to service debt rather than generate prosperity for farming families and their communities.

Consider a mid-sized grain operation with \$3 million in land, \$1 million in equipment, and typically \$500,000 in stored grain inventory. Under current financing, this farm might carry \$2 million in debt at 5% interest paying \$100,000 annually to banks. In low commodity price years, this interest burden often exceeds operating profits, forcing farmers to borrow more simply to service existing debt; a vicious cycle that has driven countless families from agriculture.

Under wealth-backed creation, the same farm could attest its \$4.5 million in assets and create Alberta Bucks up to perhaps \$2.25 million (at a conservative 50% ratio). Annual insurance costs might total \$15,000 for the diversified asset base. The farm saves \$85,000 yearly, transforming marginally viable operations into profitable enterprises. This difference enables equipment modernization, sustainable practice adoption, and succession planning that debt servicing currently prevents.

The stored grain inventory presents particularly compelling opportunities. Farmers currently face a cruel choice: sell grain immediately after harvest when prices are lowest to service debt, or finance storage costs at interest while hoping for price improvement. With wealth-backed creation, farmers could attest stored grain value, create Alberta Bucks for immediate needs, and redeem those units when selling at optimal prices. This breaks the debt-driven cycle that forces farmers to accept unfavorable prices, improving both farm income and market price stability.

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<sup>4</sup>Farm Debt Outstanding, 2020-2024

<sup>5</sup>Alberta Farm Cash Receipts, Expenses 2024

## 5.2 Small Business Renaissance

Alberta's 170,000 small businesses collectively carry over \$40 billion in debt, with interest costs representing a major barrier to growth and innovation. A typical small manufacturer with \$2 million in equipment and \$500,000 in inventory might pay \$125,000 annually servicing debt; often exceeding the owner's salary.

Under wealth-backed creation, the same business could attest its equipment and inventory, creating Alberta Bucks for working capital without interest obligations. Insurance costs of perhaps \$10,000 annually replace \$125,000 in interest payments. The \$115,000 difference funds hiring, research and development, or market expansion that debt servicing currently prevents.

The transformative potential extends beyond cost savings. Currently, banks prefer lending against real estate rather than productive assets, forcing businesses to leverage personal homes for commercial credit. Wealth-backed creation values productive assets directly: manufacturing equipment, inventory, intellectual property; aligning capital creation with productive capacity rather than real estate speculation.

## 6 Provincial Fiscal Revolution

### 6.1 Eliminating Public Debt Servicing

Alberta currently allocates \$3.2 billion annually to debt servicing; funds extracted from public services and infrastructure investment. This represents \$700 per Albertan <sup>6</sup> yearly, or \$2,800 for a family of four, transferred to bondholders rather than invested in provincial development.

Under wealth-backed creation, Alberta could monetize its vast public assets without debt obligations. The Heritage Savings Trust Fund's \$30 billion value alone could back substantial Alberta Buck creation. Crown lands valued at over \$100 billion provide additional backing capacity. Resource royalty streams, worth \$21 billion annually, offer further monetization potential without debt accumulation.

The province could fund a decade-long infrastructure modernization program by creating Alberta Bucks backed by the very infrastructure being built. A \$50 billion program for schools, hospitals, and renewable energy would typically cost \$75 billion including interest over 20 years. Through wealth-backed creation, Alberta pays only the actual \$50 billion construction cost plus modest insurance premiums, saving \$25 billion that remains available for additional public investment.

### 6.2 Resource Revenue Optimization

Alberta's resource wealth currently generates provincial revenue through royalties and taxes, but the full value potential remains uncaptured. The province's revenue share of proven oil reserves, valued conservatively at \$2 trillion, could back massive Alberta Buck creation for sovereign wealth fund expansion, economic diversification, and citizen dividends.

Instead of borrowing against future resource revenues at interest, Alberta could create money backed by its claim on proven reserves, invest those funds productively, and redeem the units as resources are extracted. This transforms resources from a depleting inheritance into a perpetual prosperity engine, as investment returns compound while redemption obligations remain fixed.

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<sup>6</sup>Fraser Institute: Albertans will pay 2025

## 7 Implementation Urgency: The R&D Imperative

Alberta must immediately initiate a comprehensive research and development program to prototype wealth-backed money creation systems. The technical foundation exists through distributed ledger technologies and established asset attestation methods, but integration and testing require dedicated resources and expertise.

### 7.1 Prototype Development Requirements

The prototype system must demonstrate several critical capabilities. Asset attestation mechanisms must accurately value diverse wealth types from real estate to agricultural inventory while preventing fraud and double-pledging. The distributed ledger must process transactions at commercial speeds while maintaining security and auditability. Integration with existing payment systems must be seamless to encourage adoption. Regulatory frameworks must ensure compliance while preserving system benefits.

A two-year, \$10 million R&D program could deliver a function prototype supporting initial pilot programs. This investment would be recouped within *months* through reduced debt servicing costs once operational. Delay, however, costs Alberta \$23 billion annually in unnecessary interest payments: over \$63 million *daily* transferred from productive economy to financial intermediaries.

Again: for *15% of the current **daily** cost paid to intermediaries*, Alberta could position itself to be *a global leader in wealth-backed stablecoin technology, implementation and adoption*.

### 7.2 Pilot Program Opportunities

Strategic pilot implementations could demonstrate system viability while generating immediate benefits. Agricultural communities facing acute debt stress present *ideal* initial deployment opportunities. A pilot program in a county like Vulcan or Stettler could enable farmers to attest grain inventories and equipment, creating Alberta Bucks for operational expenses while retaining assets for production.

Small business districts in Calgary or Edmonton could pilot commercial applications, enabling businesses to monetize inventory and equipment for working capital without interest obligations. The immediate cash flow improvement would demonstrate benefits while identifying implementation refinements.

Municipal governments could pilot infrastructure financing through wealth-backed Buck creation, funding community projects by attesting public assets rather than issuing interest-bearing bonds. A single \$100 million municipal infrastructure program could save \$50 million in interest costs over 20 years, providing compelling evidence for provincial-scale adoption.

Farmers could band together and raise the capital required to fund the novel wheat straw bio-fuel reformer project being proposed for central Alberta, instead of waiting for traditional capital formation.

### 7.3 Scaling to Provincial Implementation

Following successful pilots, provincial implementation requires coordinated development across multiple fronts. Legislative frameworks must establish asset attestation standards, insurance requirements, and redemption procedures. Technical infrastructure must scale to support millions of users and billions in transaction volume. Educational programs must help Albertans understand and utilize the new system effectively.

The implementation timeline could achieve meaningful impact within five years. Year one focuses on R&D and prototype development. Year two implements agricultural and small business pilots. Year three expands to municipal government participation. Year four enables broad consumer adoption for mortgages and vehicle financing. Year five achieves full provincial integration including government finance transformation.

With concerted effort and focus, however, I believe that Alberta could implement this project on a *much* more rapid time frame. The cryptographic and distributed system tools are now available to build a prototype that is usable by technically savvy, willing, private communities of crypto-friendly asset holders. The legal frameworks exist to create private asset-backed tokens that represent attested wealth ownership, and the attestation guarantees, liens and other legal recourse required to implement the necessary insurance tools.

Alberta can rise to this challenge, and summon the will, effort and finances to bring this project to rapid prototyping, testing and operation. We Albertans don't feel, look or act like a lethargic, timid and fearful bureaucracy: we understand obstacles, set ambitious goals, and then *get things done*.

## 8 Conclusion: Alberta's Historic Opportunity

Alberta stands at a pivotal moment where technological capability, economic necessity, and political possibility converge to enable fundamental monetary reform. The province currently hemorrhages \$23 billion annually in interest payments that extract value without providing corresponding benefit. This represents the province's entire health care budget, or sufficient funds to eliminate provincial income tax while still having billions available for infrastructure investment.

The transition from debt-based to wealth-backed money creation would transform every aspect of Alberta's economy. Families would retain thousands annually currently lost to mortgage and loan interest. Farmers would escape the debt trap that forces agricultural consolidation and rural depopulation. Businesses would access capital based on productive capacity rather than real estate collateral. Government would fund development through wealth attestation rather than debt accumulation.

The technical mechanisms exist. The legal frameworks are achievable. The economic benefits are quantifiable and massive. What remains is the political will to challenge entrenched financial interests and implement systems serving Albertans rather than extracting from them.

Every day of delay costs Alberta \$63 million in unnecessary interest payments. Every year of inaction transfers \$23 billion from productive economy to financial intermediaries. The government's responsibility to pursue this transformation is not merely important: it is urgent, essential, and historically imperative. Alberta must act now to prototype, prove, and implement wealth-backed money creation, or condemn future generations to perpetual debt servitude when liberation lies within reach.

The choice is stark: continue enriching distant financial institutions through interest payments on money they create from nothing, or enable Albertans to create money backed by their own real wealth while retaining value within provincial communities. The moral, economic, and practical arguments align *unequivocally*: Alberta must pioneer wealth-backed money creation to secure its economic sovereignty and prosperity.