

Yes Dan, There Is A Money Fairy

Former Secret Service agent Dan Bongino (pictured) hosts one of the largest [conservative shows](#) on YouTube and other media.



His analyses of politics are often spot on, as are his pithy sayings. Two of his favourites are:

all debts are paid

and

there is no power in yes.

The first is actually quite a profound statement, and if you don't understand the second, think of how many times you've been told "No!" by bureaucrats and other jobsworths, then you *will* understand.

Dan has a third saying though that is way off beam: "There's no money fairy" might be considered a derivative of Margaret Thatcher's famous epigram: the problem with socialism is that sooner or later you run out of other people's money.

That really is a dumb statement for a man who has an in-depth understanding of economics. Or could it be that mainstream economics text books are as useful as *The Book Of Mormon*? You can read it, memorise it, understand it, but at the end of the day it is total rubbish, and all you have done with your years of study is waste your time.

The reality is that no government ever has to run out of money. Governments fund themselves and public works primarily by three methods: taxation; borrowing; printing money.

Taxation is the method preferred by fiscal conservatives like Dan: tax and spend. The problem with taxation is that it reduces both purchasing power and investment. This is what Alexandria Ocasio-Cortez and her fellow progressives don't or prefer not to understand when they advocate soaking the rich.

The second method for governments to fund themselves is borrowing, from the public, from the banks, from other countries. Why would anyone, any entity, lend money to a government? For interest is the simply answer.

The third method any government can use to raise funds is simply to print the damned stuff. This can include minting coins - small change and relatively expensive; printing notes - a lot cheaper, especially high denomination notes; and creating it electronically. The latter is to be preferred because it is totally free.

The reason governments don't simply create credit and keep creating it is because there must be a relationship with the amount of money in circulation and the stuff it can buy - goods and services. Yet before the current crisis, we in the West and the rest of the so-called free world had such a shortage of money that the shops were full while people were going without. In some places, that extends to housing. There are plenty of homes to rent, but people can't afford to rent them, certainly the homeless can't. So why is there this shortage of money?

The simply answer is that most of the money in existence is indeed created electronically. By the banks. Furthermore, the banks create this money *ex nihilo*, and then sell it at interest. The left ignores this, and has done right back to Karl Marx. His *magnum opus* has one mention of usury in its index. One! *The International Socialist Review* for April 1903 contains an article by Charles C. Hitchcock which includes some comment about usury. This is a rare exception. A century and more later, communist publications like the *Morning Star* were still [denying the reality](#) that banks create money.

The great Major Douglas explained the technique of credit creation way back in the 1920s. His two most important works *Social Credit* and *The Monopoly Of Credit* can both be found on-line, but here is the simple example he cited:

A new bank opens with 10 depositors depositing \$1,000 each - dollars for you, Dan!

The bank has assets of \$10,000.

Customer number one borrows \$1,000 for a big project, handing over the deeds to his house as security. The bank then credits his account with \$1,000 of NEW MONEY. Note, this loan is not drawn against any of the other customer accounts, and as this is a new bank, don't let anyone give you any flim-flam about fixed reserves.

The situation is now as follows:

All ten customers have \$1,000 in their accounts, while customer number one also has \$1,000 in his overdraft account. He draws that \$1,000, all of it, and the bank now has \$10,000 in deposits plus \$1,000 owing. Customer number one is successful; having paid his staff and his suppliers, he sells his goods, gives some money to his wife for housekeeping, and deposits \$1,050 into his overdraft account. What happens now? The original loan of \$1,000 is cancelled out of existence, literally. This has been summed up as every bank loan creates money; every repayment of a bank loan destroys money.

Major Douglas even expressed this [as an equation](#). Anyone who is skeptical should try arguing with the mathematics.



Back to our example, having repaid his debt, the bank takes a \$10 fee - its profit - and the other \$40 is credited to the customer's regular account.

The big question is, if the banks can practise this sleight-of-hand for profit, why can't our governments do so for the public good? The short answer is there are too many people on the take. Think Deep State, Dan, then you will understand.

An inevitable result of this process is that the governments of the world, indeed all of us, go progressively *in hoc* to the banking system. There is a simple solution to this: what is created out of nothing can be returned to nothing, ditto bank debts. This does not mean that every single debt owed to every bank in the world should be cancelled out of existence, but there is no reason much of this debt cannot simply be written off.

True, a few people will have to take a haircut, but the banks have written off massive sums before in the past, including under pressure from governments, and there is no reason they can't be compelled to do so in the future.

Another thing that bothers Dan is negative interest rates. The big question is not should there be positive or negative interest rates but why is interest paid at all?

Traditionally, a bank has two functions: the strongroom function and the bookkeeping function. People deposit their money in the bank because it is safer than keeping it under the mattress. When paying other people for goods and services, it is often more convenient to do so by cheque traditionally, or nowadays by bank card. As the banks provide these two services, it is only right they should be remunerated for them. So rather than the banks paying investors interest, they should charge reasonable sums for these services.

What then about lending money? There is no reason a bank cannot lend REAL money, its own, for which it can charge a fee - not interest - or engage in profit-sharing under the Islamic principle of *musharakah*. But a bank has no right to charge interest on money conjured up out of thin air, nor does anyone else. Usury should be banned, pure and simple.

There are today many ways entrepreneurs and ordinary people can borrow money, the former especially, through direct lending/borrowing of one sort or another. Meanwhile, the central bank or better still Congress/Parliament should create all the money it needs for public works, and spend it into circulation debt-free.

With regard to the current crisis, the American Government has guaranteed finance of up to \$6 trillion dollars. That is money that need not be (re)paid because it was created to serve the people, though to prevent excessive inflation, some of it can if necessary be recouped through taxation then cancelled out of existence, something that need not affect ordinary people, certainly not those near the bottom of the food chain.

One other thing concerning our hypothetical example. The customer who borrowed \$1,000 for his project was succesful and made a handsome profit, but what if he hadn't been? He would have lost his house! The bank created this new money out of thin air then sold it to him at interest. He took all the risk; the bank took no risk at all.

A few suggestions for further reading;

***Banking Without Interest* by Muhammad Nejatullah Siddiqi**

***Honest Money* by John Tomlinson**

***The Absurdity Of The National Debt* by the Duke of Bedford.**

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