



29th October 2012

Do you believe in life after debt ?

“Wall Street, in theory, is at the centre of the financial system which provides for the capital needs of the nation. But Wall Street is in fact a speculation centre organised for the purpose of enabling a self-selected minority of men of boundless greed and ambition to become millionaires and billionaires. Whatever Wall Street does to provide for the capital needs of the nation is incidental to, and misshaped and distorted by, what it in fact is.”

- Ralph Borsodi, pioneer green campaigner.

In something of a break with tradition, this week’s commentary is given over to a guest piece by fellow MoneyWeek scribe, author and [renaissance man](#), Dominic Frisby.

I subscribe to George Orwell’s view that “On the whole human beings want to be good, but not too good, and not quite all the time.” But if man is “mostly good”, I ask myself, why is it so easy to look around at the world and find so much to be troubled by?

Wars, waste, famine in one part of the world, obesity in another, excess consumption, a financial system that's out of control - and so on.

My particular bête noire is the unequal distribution of wealth. There are all sorts of manifestations.

Across generations - for the first time in history my and the next generation is poorer than its parents. Yet, with man advancing, surely this shouldn't be so? Most people in London under the age of 30 don't believe they'll ever own a house – that's awful.

We see it across nations. The richest 400 people in the world have assets equivalent to the poorest 140 million, runs one statistic. In fact, it's worse than that as, thanks to their debt, many in the West now have a negative net worth..

We see it within nations. The wealthiest one per cent of Americans pocket one-quarter of the country's income. Through property, bank accounts, investments and art, they control as much as half of total US wealth. That share of wealth has doubled in the past four decades.

We even see it within institutions with the high-flying City boss who earns 1,000 times more than some lowly cashier in the same bank.

If man is, as Orwell says, "mostly good" how has the distribution of wealth become so skewed?

In my book, I argue that it's our systems that are at fault. Yet they are so big and entrenched, there's nothing much anyone can do to change them, beyond superficial reform. The biggest villain of all is our system of money.

Many people spend a lot of time thinking about how to make more money. But not many people think about how our system money actually works.

It's a system that has been in operation globally for just 40 years - since the US finally departed the gold standard in 1971. The Bank Of England calls it "fiduciary money", others "fiat currency". Under this system, money is the issuance of governments. It's not backed by anything tangible except the law. Banks have the power to create money through lending.

In 1971, I could have taken my son to the FA Cup Final for £2 (now over £100). The Mars Bar I bought him at half-time would be 2p (now 60p). The beer I bought myself would be 11p (now £5 a pint at Wembley). The gallon of petrol I needed to get me there and back would be 33p (now £7). And the house we went home to would be something like 2% of the price it is now.

Average earnings have increased too, but not by the same multiples. They have risen from around £1,500-2,000 per annum to about £25,000 today. The differential has been covered up by more debt, longer working hours, more women in the workplace and so on.

Yet through the 100 years of economic growth of the 19th century, prices actually fell according the wholesale price index, and wages rose.

Why does everything - except mass-produced goods – relentlessly rise in price? It's this system of fiduciary money. There is almost no limit to how much can be created. And the more money there is, the more diluted its purchasing power becomes, and the higher prices will rise.

Some benefit hugely from this system: those who control it, and those who are at or near its point of issuance. Governments and banks, in other words. As well as enjoying a monopoly, they have the power to create money (whether by printing or through lending) and to charge interest on it. They also get to buy assets with their share of the newly minted money, before prices rise to reflect the new money in circulation.

Meanwhile the rest of us find that our savings or wages buy less and less, so we have to take on debt, and then pay interest on that debt, to be able to buy the things that we, or our parents, were once able to afford to buy outright.

There is a constant transfer of wealth and it compounds over time. The few benefit at the expense of the many. This is why the state and financial sectors have grown so disproportionately large.

It's led to the horrendous gap between the so-called 1% (the super-rich) and everyone else. It's responsible for this gap in the wealth between generations. It's why we have a culture based on debt and spending, rather than saving and investment.

And it will only get worse as this transfer-of-wealth cycle repeats and repeats.

My book is called 'Life After The State'. In it you'll discover:

- How this system of money came about
- Case studies - the hidden, destructive effects of the system.
- How government spending and subsidy actually cause poverty, rather than prevent it.
- How to reform it.

As my book is about change, I've decided to publish it with Unbound, which is changing the traditional publishing model. You can [find out more and pre-order my book here](#).

Changing the way money works is simple. It's not electorally unpalatable. And it would make a huge, dramatic improvement in all of our lives. Read [Life After The State](#) and you'll see why.

An earlier incarnation of this article was originally published in The Independent. It is republished here with the permission of the author.

Tim Price
Director of Investment
PFP Wealth Management
29th October 2012.

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Email: tim.price@pfp.co.uk

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