

The Nonsense Of Trying To Create Money Out Of Nothing.

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Could we (the state) create money out of nothing?

The state could. At least that is what the self-proclaimed money researcher Aaron Sahr claims in a conversation with him on 27.06.2021 by Deutschlandfunk.

What Aaron Sahr is mistaken about or fails to recognize is the fact that the state must secure every money creation materially (e.g. through resources such as oil or gas deposits) and/or immaterially (e.g. through the totality of its production forces). If this happens only inadequately or if the safeguarding is only feigned or if there are mass supply bottlenecks in the economy, every monetary system reacts with a loss of value, which among other things or also ultimately seeks a relief valve in a high inflation.

Seven months later after this conversation with the DF, it is clear to the EU and the United States that money had to be printed ad hoc because of the pandemic, which was not sufficiently secured because of the rush [\(X\)](#). This money was given primarily as grants or tax rebates, rather than loans, to prevent chain reactions in feared insolvencies. Without this measure of uncovered money printing, much greater societal damage would have occurred.

What looks like money creation out of thin air here is merely an emergency measure that is possible only within certain limits. General money creation - as is also being considered in certain social circles for an unconditional basic income - is not possible in this way.

As a result of these measures, however, inflation rose by between six and seven percent compared with the previous year and is close to a forty-year high for these states. In these states, it thus exceeded more than three times the two percent annual price increase limit they had envisaged. How central banks can respond to this is illustrated by the historical example of Paul Volcker, who as Fed Chairman in 1981 set the Fed Funds rate at times above 20 percent with corresponding effects on the entire world financial system and the world economy.

Aaron Sahr contends that a different monetary order needs to be created. He wants to print the money for social-ecological transformation and create a better world with his monetary theory. But a theory can only contain essential propositions that do not contradict each other. A proposition that money is created out of nothing, however, contains such a contradiction. It can therefore - as Aaron Sahr does - not be assigned to any theory, not even to any theory of money.

What Aaron Sahr does not sufficiently take into account in his considerations is the fact how a money value is really formed and how it can or must be kept stable. The fact that a debt - whoever enters into it - must be sufficiently hedged if a stable monetary value is to form, is something that Sahr has not yet explored. Nor does it mention how the money disappears again in the normal way. In any case, money issuance is not as simple as Sahr presents it (tautologically) in his interview with Deutschlandfunk:

"The central bank takes in a new sovereign debt security as an asset and generates the new money to pay for it. And that's what happened in the so-called Corona measures, or on a large scale after the financial crisis."

These kinds of explanations are tautological claptrap and generally also strike at the value of his conclusions. They are not thought through to the end. Indeed, Sahr's socio-ecological transformation is only a part of what can be used to create money in society as a whole. This part can therefore not be declared to be the actual creation of money on its own, especially without assuming any external effects. The slogan: "If all eco, - then all good", is just only a slogan and is not sufficient alone for a money issue.

Moreover, for his socio-ecological transformation, he ignores the very high technological requirements for a society in which, for example, all houses should be converted into energy-saving houses, and whether government bonds are not sufficient for his ecological objectives. This would not necessarily direct the issuance of money exclusively to one goal, as is the case with the socio-ecological transformation, but would keep the issuance free for other goals as well. Quite apart from the fact that in many cases in the past there was a lack of meaningful use of the funds in the socio-ecological transformation; the money therefore simply sought its way and disappeared (Prokon, among others).

Consequently, the creation of money out of the so-called nothing is an illusion.

(written by: har; revised)

[Translated with DeepL](#)