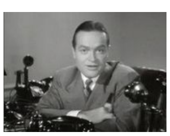
Banks – The 10% You Need to Know

How money is created from nothing – flowcharts.

“The process by which banks create money is so simple that the mind is repelled.” John Kenneth Galbraith.

“It is well enough that people of the nation do not understand our banking and money system, for if they did, I believe there would be a revolution before tomorrow morning.” Attributed to Henry Ford.

“A bank is a place that will lend you money if you can prove that you don't need it.” Bob Hope

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March 2018

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Introduction

In 2011, I discovered that everything I thought I knew about banking was wrong. I questioned how I could have been so mistaken about something so important. I immediately began re-educating myself in order to catch up to what I assumed everybody else knew about banks. I soon realized that my misinterpretation of banking practices was not unique, but rather the norm. To protect my family's finances I needed to understand how banks operate – not how they say they operate but how they actually work. I therefore set out to:

1. Understand the mechanics of banking from a layperson's perspective.
2. Investigate recent and historical banking decisions to see if they were as motivated by greed as they appeared to be.
3. Resolve if banks and/or the Federal Reserve create money out of nothing.
4. Create flowcharts documenting the money creation process.

One thing I discovered was the huge difference in how Big Banks operate compared to community banks and credit unions. The contrasts are so large that it makes sense to consider the US Financial Industry to be of two camps, one containing the Big Banks and hedge funds and the other the community banks and credit unions. In general, the shenanigans we hear in the news about financial crimes and corruption is the purview of the Big Banks and their associated minions[1].

I define Big Banks as those institutions that are significantly invested in derivatives and consequently very risky. For instance, as of December 31, 2017, JP Morgan Chase had 2,289.30% of its asset base leveraged in derivatives[2]. This is possible because derivatives are not included on the balance sheet of banks - they are off-balance-sheet items[3]. In other words, the $2,140,778,000,000 in assets claimed on Chase's December 31, 2017 balance sheet is leveraged against the $49,008,909,000,000 in derivatives it holds. That is 49 Trillion Dollars in derivatives with each contract being a bet on the rise or fall of a commodity, institution or country.

A more specific list of Big Banks is published by the Financial Stability Board (FSB) which is part of the Bank for International Settlements (BIS)[4]. The FSB classifies Big Banks as Global Systemically Important Banks G-SIBs (translation – too big to fail banks). The November 2014 list ranked institutions by a relative assessment of risk with the highest exposure institutions listed first. This listing method was simple and very logical so naturally they had to change it to add a whole new layer of obfuscation. The November 2017 list[5] of banks was "allocated to buckets corresponding to required levels of additional capital buffers." By alphabetizing the banks within a group, this effectively hid the risk exposure of G-SIB banks relative to each other but still provided a list of the world's riskiest financial institutions and therefore a list of banks one should avoid.

[1] For this reason alone, I would suggest moving your money out of Big Banks and into local banks or credit unions.
[2] These numbers are published quarterly at the FDIC website. https://research.fdic.gov/bankfind/detail.html?bank=628&name=JPMorgan%20Chase%20Bank,%20National%20Association&searchName=jp%20morgan%20chase&searchFdic=&city=&state=&zip=&address=&searchWithin=&activeFlag=&tabId=1# If you want to research another bank you can find specific instructions how to do this in my "Get Out of Big Banks NOW" document in the "Alternatives to Big Banks – Where to Move Your Money" chapter. This document can be downloaded at http://www.randylangel.com/downloads.html
[3] I find it unconscionable that such a large set of investments is not considered as part of the balance sheet. How can real risk be determined if these numbers aren't included in a public document?
[4] The BIS is the central bank of central banks and the most powerful financial institution in the world.
[5] http://www.fsb.org/wp-content/uploads/R211117-1.pdf

These banks (listed as they appear in the document) are:

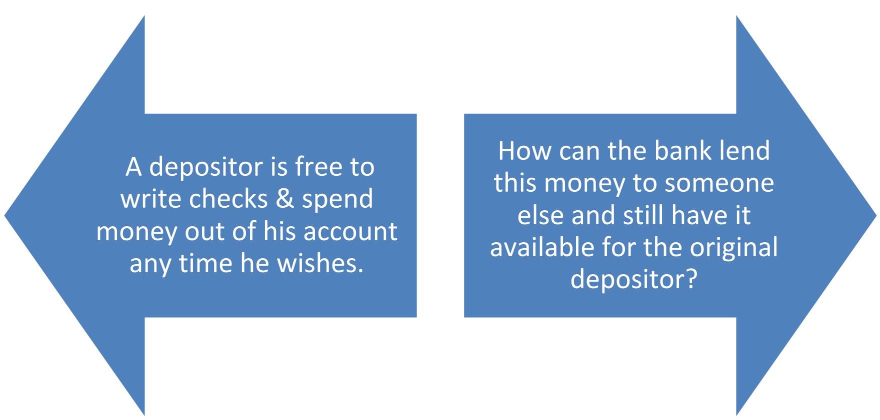
1. JP Morgan Chase
2. Bank of America
3. Citigroup
4. Deutsche Bank
5. HSBC
6. Bank of China
7. Barclays
8. BNP Paribas
9. China Construction Bank
10. Goldman Sachs
11. Industrial and Commercial Bank of China Limited
12. Mitsubishi UFJ FG
13. Wells Fargo
14. Agricultural Bank of China
15. Bank of New York Mellon
16. Credit Suisse
17. Group Crédit Agricole
18. ING Bank
19. Mizuho FG
20. Morgan Stanley
21. Nordea
22. Royal Bank of Canada
23. Royal Bank of Scotland
24. Santander
25. Société Générale
26. Standard Chartered
27. State Street
28. Sumitomo Mitsui FG
29. UBS
30. Unicredit Group

Executive Summary – What I Discovered

The misconceptions of my long held banking beliefs weren't due to personal gullibility or lack of interest, but rather the **intentional misdirection and deceit intentionally built into banking industry practices.**
The Federal Reserve, commercial banks and credit unions create new money out of thin air and charge interest on it, having done nothing or risked anything to deserve it.
The banking industry purposely obfuscates the loan process to hide the enormous power and profit accrued to them via their bank charter to create money from nothing and call it debt.
New loans are not capitalized with the same money that is deposited.
New loans are capitalized with brand new money created by the banks out of thin air though a bookkeeping entry to the borrower's account in the amount of the loan. (To be accurate, new money is created out of debt; therefore, money does not exist until someone wants to borrow money and signs the loan document. New money cannot enter the system without some entity assuming new debt.)
Banks don't lend anything – they just want you to think they do so they can charge you interest.
The Great Secret of Banking is that banks create the money they "lend" simply by entering the "loan" amount into the deposit accounts of the borrower.
The Federal Reserve, commercial banks and credit union's money creation processes were purposely designed to make no sense whatsoever. They were designed to be confusing, not logical, so customers would not question the payment of interest.
The Federal Reserve, the central bank of the United States, is a private banking cartel with a government façade.
How we interface with banks to accomplish everyday tasks was not establish through passage of law nor formulated from empirical study or economic theory. They (the interface mechanisms) were contrived in secret by bankers following the passage of the Federal Reserve Act of 1913. The bankers literally made them up.
Other than keeping their bad loan numbers down to satisfy regulators, banks don't really want their loans repaid. Banks make money from the interest on a loan not its repayment.
To create new debt (and bank profit), banks must continually "encourage" people, companies and governments (local, state, federal and other countries) to borrow more and more. This is the primary reason there is a national debt and why it is so high.

When you deposit money in a bank it is no longer yours. It legally belongs to the bank and you own an IOU.
By law, a bank is not required to keep deposits available for withdrawal.
Up until this point, banks have always dispensed cash when a depositor requests a withdrawal. We have been conditioned to believe we can go to our bank and get our money in cash anytime. However, legally that has never been the case.
As of Dec 10, 2012, failing banks will be resolved with Bail-In procedures rather than Bail-Outs. A Bail-in is the legal authorization for Big Banks to confiscate their depositor's money without their permission or advanced warning. This most likely will happen overnight. (To find out more about Bail-In download, "Get Out of Big Banks NOW" from http://www.randylangel.com/downloads.html)
In a Bail-In, the failing bank's depositors' money is used to recapitalize a new bank on the ashes of the old. Account balances are converted to equity (stock) in the new company and each depositor then becomes responsible for selling this new stock to get cash.
The FDIC will not replace a depositor's money in a Bail-In scenario since it will no longer be responsible for confiscated deposits. Why? Because the FDIC only insures cash accounts not equity accounts and all of the deposits have been converted to stock.
No matter where you earn the money, its origin was a bank and its ultimate destination is a bank. The loop through which it travels can be large or small, but the fact remains all interest is paid eventually by human effort. This work is done ultimately for the benefit of those who create fiat money. It is a form of modern serfdom in which the great mass of society works as indentured servants to a ruling class of financial nobility[6].

If it's difficult for you to believe that banks create money out of nothing then consider the following;



Isn't this a double claim against the same money?

Unless money can be in two places at the same time then the answer is that banks don't lend out their deposits.

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[6] The Creature from Jekyll Island – A Second Look at the Federal Reserve, by G. Edward Griffin, published by American Media, copyright 2010, 5th Edition, p.192.

Acknowledging Some Uncomfortable Realities

The topic of money is imbued in our psyche. However, we need to realize that our current monetary beliefs are skewed because they are what bankers want us to believe and in many cases they don't represent reality. Today's "rules" and operating procedures have been promoted by bankers since they first began conceiving them in 1913[7]. Bankers devised them and bankers profit from them. The processes surrounding the creation, storage, loaning and taxing of money have been contrived solely for the banker's benefit and to our detriment. But it doesn't have to be this way.

One of the biggest problems facing any reform of the banking system is the public's view of established monetary institutions. These financial mega-corporations exist as one of the most unquestioned forms of faith there is, so much so, that banking and money have taken on nearly religious proportions.

> ***There is a great mystique surrounding the nature of money. It is generally regarded as beyond the understanding of mere mortals. Questions of the origin of money or the mechanism of its creation are seldom matters of public debate. We accept them as facts of life which are beyond our sphere of control. Thus, in a nation which is founded on the principle of government by the people, and which assumes a high level of understanding among the electorate, the people themselves have blocked out one of the most important factors affecting, not only their government, but their personal lives as well. It has been in the interest of the money mandarins, however, to convince the public that, now; these issues are too complicated for novices. Through the use of technical jargon and by hiding simple reality inside a maze of bewildering procedures, they have caused an understanding of the nature of money to fade from the public consciousness.***[8]

Banking and how it's done is not sacrosanct and can be changed for the better.

No one can be faulted for being confused about money and banks. The financial institutions have worked tirelessly to foster an air of respectability and public concern when their real goal is to indebt us to them in all aspects of our lives. In order for bankers to chain us to debt, it has been necessary to hide as many truths as possible from the general populace so as not to arouse their suspicions. Here are a few of those little-known facts.

- The Federal Reserve and all banks in the US (except the Public Bank of North Dakota) are private corporations with individuals as owners. *The central bank of the United States i.e., Federal Reserve, is a private banking cartel with a government façade.*
- The individuals owning the Federal Reserve and the *big* private banks have one and only one goal – maximizing profits. *You must realize and accept the cold and calculating nature of these people*.
    - Needs of the United States or its citizens are of absolutely no concern to them.
    - They are completely indifferent to any calamity they may cause.
    - Impediments to profit maximization are circumvented, removed or bribed into compliance.

[7] The reference to 1913 refers to the year the Federal Reserve Act was passed.
[8] The Creature from Jekyll Island – A Second Look at the Federal Reserve, by G. Edward Griffin, published by American Media, copyright 2010, 5th Edition, p.135.

- The banking processes we use every day (deposits, loans, fractional reserve banking etc.) were not established through passage of law, nor were they formulated from the results of reasoned empirical study or economic theory. They were *contrived* by bankers following the passage of the Federal Reserve Act in 1913. This law did not describe how central banking would work in the US; it just gave the bankers the legal umbrella to do it. *How we interface with banks to accomplish everyday tasks was created by bankers in secret. They literally made it up*.
- *Banking processes were purposely made complicated, redundant and illogical so people couldn't understand them*. The bankers wanted the system's inner working to be so complex that only people they controlled could comprehend them - and it worked.
- Banks do not really want to have their loans repaid. They make money from the interest on a loan not its repayment. One of the reasons banks prefer to "lend" to governments is that they do not expect these loans ever to be repaid. Interest forever.

How the Federal Reserve Creates Money from Nothing

Before reading the details of how money is created, you need to realize and accept an important reality.

> ***The Federal Reserve and Commercial Bank Money Creation Processes were purposely designed to make no sense whatsoever. You cannot use logic in attempting to understand each step in the progression. Rather, you need to approach the process step from the point-of-view of awareness as to what they are, what they do and who benefits. That's it – don't try to comprehend them because they are meant to deceive and not be logical. In spite of first appearances, the processes are not complicated. They're just absurd[9].***

Keys to Understanding the Federal Reserve's Money Creation Process

1. *The money creation process was purposely built to be illogical and irrational*. In other words, if you stop at a particular step and say to yourself, "that doesn't make any sense," you will be absolutely correct. *The process is not supposed to make sense*. The designers wanted it to be confusing to discourage citizens from looking too closely and discovering what really is going on.
2. There are many unnecessary steps and middlemen built into the process. This was done to give the appearance of a complex method to discourage further investigation.
3. For all practical purposes, the Fed can create money whenever it wants by having computers increase targeted accounts – usually a big bank (e.g., quantitative easing) or another country's central bank. The difficult part comes in trying to justify the creation of the new money not its actual production. If the citizenry ever realized the unlimited power this gives to a private, non-governmental entity they would cease to accept it and demand change.
4. The process was made complicated to hide these facts:
   a. *The Fed & banks create money out of nothing.[10]*
   b. *The Fed & banks collect interest having done nothing or risked anything to deserve it.*
   c. *The involvement of Big Banks as "Primary Bond Dealers" is totally unnecessary. It is part of the process so the big banks can make a commission on every bond sold.*
   d. *The US Government could create money out of nothing themselves. The Fed is unnecessary. In fact, it is the Fed's involvement in the process that creates the interest charges and hence the national debt. If the Fed were eliminated the national debt would be drastically reduced, or in some cases eliminated.*

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[9] Author comment: ***The creation of money by banks is so incredibly simple most people just don't believe it.***
For over three years I have been asking people if they know how money is created and only one has answered correctly. This confusion is understandable since one of the banking industry's primary goals is to distract people from the reality of money creation. They befuddle people by adding a myriad of complicated ancillary finance issues so the essence of their money-making regimen is hidden. People accept the fallacy of paying interest because "it's always been that way," when in fact it hasn't. It only became common when the 1913 Federal Reserve Act was signed. This law created the privately owned US central bank called the Federal Reserve. In passing the law Congress "delegated" its Constitutional power to coin money to private banking concerns. The banking industry's program of misleading the public is so complete, the majority of Americans cannot even conceive of the possibility of no-interest loans. Public banks can do this.

[10] To be more precise, money is created out of debt, however, debt is an IOU and the physical IOU (the paper) has a value of nothing. Extrapolating this, money can then be said to be created out of nothing. E.g., the national debt is primarily US Treasury Bonds and these are simply paper with fancy graphics with no intrinsic value.

Federal Reserve Money Creation Process Explained

Refer to Figure 1.

1. Government needs cash so it orders the US Treasury to create the money. The process starts with the Treasury issuing a ***Treasury Bond*** which is a promise by the US Government to pay a specific amount at a certain time in the future. They are just fancy IOUs printed on nice paper with colorful ink and have an intrinsic value of zero.
2. Treasury Bonds are sold at auctions where banks from all over the world compete to buy them. The amount of enthusiasm to purchase the bonds is the primary factor in determining the interest rate the bonds will carry. If excitement is high the interest rate will be low and conversely if it's lackadaisical, the interest rate will rise to insure all bonds are sold on that day. Treasury Bonds & Treasury Notes are the *National Debt*.
3. Twenty Four (24) bond dealers (privileged big banks) handle the sale of government securities and all the transactions must go through them. Government agencies cannot exchange with each other without going through the dealers who earn commissions on each sale. The big banks act as middlemen while adding no value. The sole reason they're included in the process is so they can to make a commission i.e., free, unearned money, on each bond sold. When banks buy Treasury Bonds they're actually buying a portion of the national debt and profiting from the interest. *Big banks want the national debt to increase because they make a lot of money from its expansion.*
4. *Open Market Operations* is the heart of the illusion. The banks sell some of their newly acquired Treasury Bonds (IOUs) to the Federal Reserve for a profit[11]. To pay for these bonds the Fed writes a check (another IOU) drawn on an account that has, and will always have, a zero balance. *When the Fed writes a check it's creating money even though there is NOTHING backing up the check.* For anyone else this would be FRAUD.
5. At this step the Treasury and the Fed are swapping IOUs or worthless pieces of paper. A bond – a worthless piece of paper, swapped for a check drawn on an account with a zero balance – a worthless piece of paper.
6. The Fed's action of giving the US banks a check (an IOU drawn on an account that has nothing in it) to purchase Bonds (another IOU) transforms the amount of the check into legal tender money. This type of currency is called Central Bank Money. *Out of nothing (literally) comes money*.
7. The new currency created by the Fed exists as numbers in a computer. This computer currency is then given to the US Bond Dealers (Big Banks) so they can pay the US Treasury for the Bonds purchased at the Bond Auction.
8. The new currency is used to pay the governments' bills.

[11] Another way the big banks make a profit from doing nothing of value.

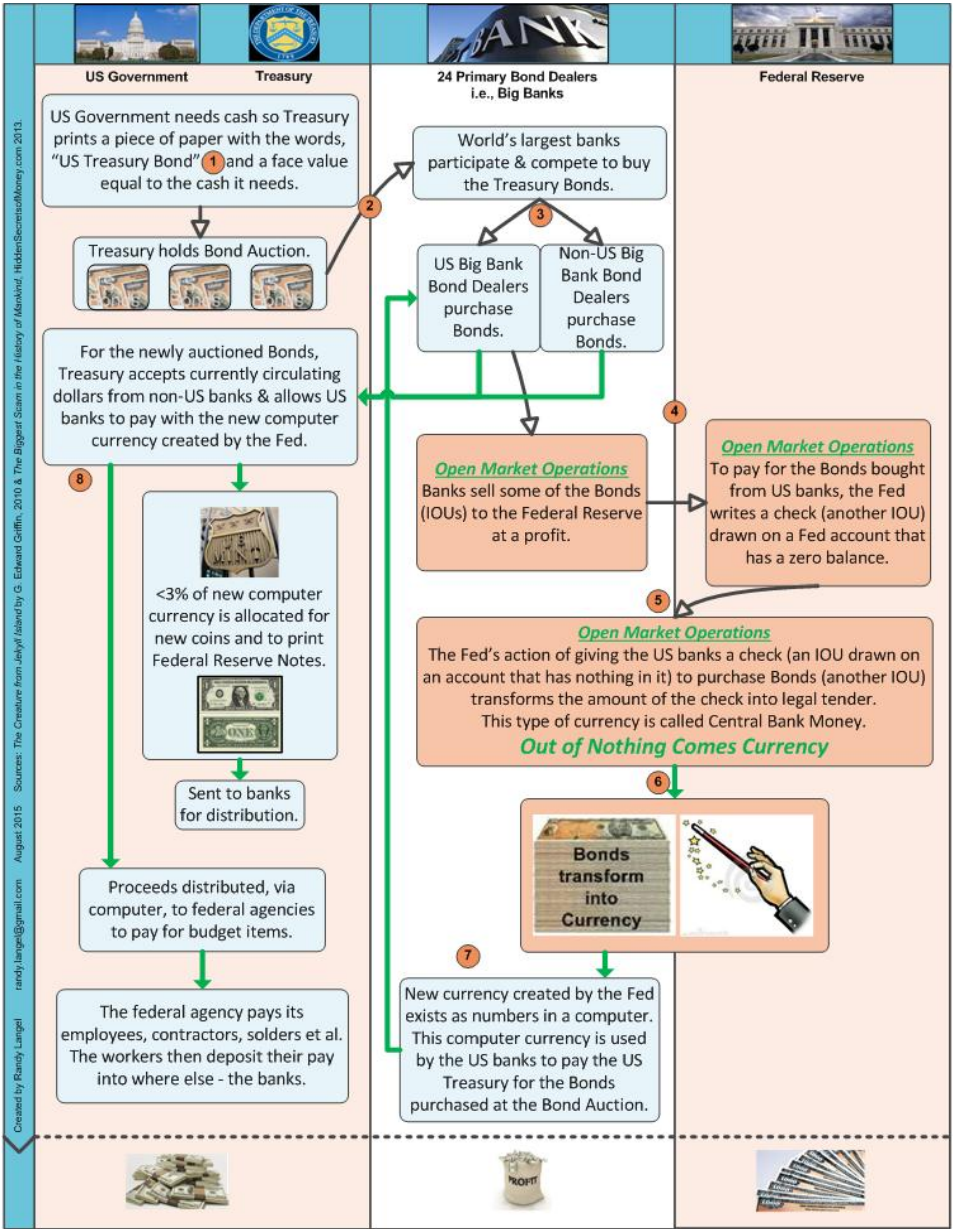


Figure 1 - How the Federal Reserve Creates Money from Nothing

The Illogic of the Federal Reserve's Money Creation Process

1. The Treasury & Fed are just swapping IOUs which are worthless pieces of paper.
2. The Treasury & Fed could swap IOUs themselves without the involvement of the Primary Bond dealers i.e., Big Banks. Their role is completely superfluous and should be eliminated.
3. If the point of the money creation process is to create something of value, why then is the Treasury printing Bonds (paper IOUs) & the Fed writing checks (paper IOUs) and then exchanging them. *They are trading two intrinsically worthless things and pretending this justifies the creation of currency which is supposed to be worth something?* How can two worthless things combine to form something of value?
4. The only way worthless (backed by nothing of intrinsic value e.g., gold, silver, land, et al.) paper could be considered money is if a government forces it onto the populace. Legal tender laws bestow this writ on fiat money or as is more prevalent today, numbers in a computer.

End Results

- Currency at the Treasury
- Profits at the Banks
- Treasury Bonds at the Federal Reserve

Central Banking May be the Most Paralyzing Social Structure Humanity has Ever Endured

- Under the guise of purchasing government bonds, the Fed acts as a hidden money machine which can be activated any time the politicians want. Politicians no longer have to depend on taxes to raise money and since the process is not understood by the public, it is politically safe.
- The Fed is a tool for obtaining unlimited funding for politicians & endless profits for bankers. Best of all, the people who pay the bills for both groups have no idea what is being done to them.
- With nothing backing our currency, each new dollar decreases the value (i.e., purchasing power) of the dollars already created. This is the biggest tax (far larger than all other taxes combined) American's pay and it is completely hidden. This degrading of a current dollar by creating a new dollar is the real definition of inflation.
- Since the Fed can't bounce a check, they can create money whenever they want, e.g., Quantitative Easing.

How Money *Could* be Created - without the Federal Reserve

Why in the world would the US Government borrow money from a private bank (Federal Reserve) and pay interest, when they could create the money from thin air themselves and have NO INTEREST PAYMENTS and no, or at least monumentally less, government debt? The answer is the passage of the Federal Reserve Act of 1913. This legislation gave a private institution and their private owners' control of the money creation process in the US. In passing the law Congress "delegated" its Constitutional power to coin money to private banking concerns. Our country's debt could conceivably be 0 if the money creation process had been left in the hands of the federal government where the Constitution specifically says it should be[12].

Figure 2 shows how the US Government could create money from nothing if it so chose.

[12] To this day questions remain if a Constitutional Congressional responsibility can be delegated to private sources.

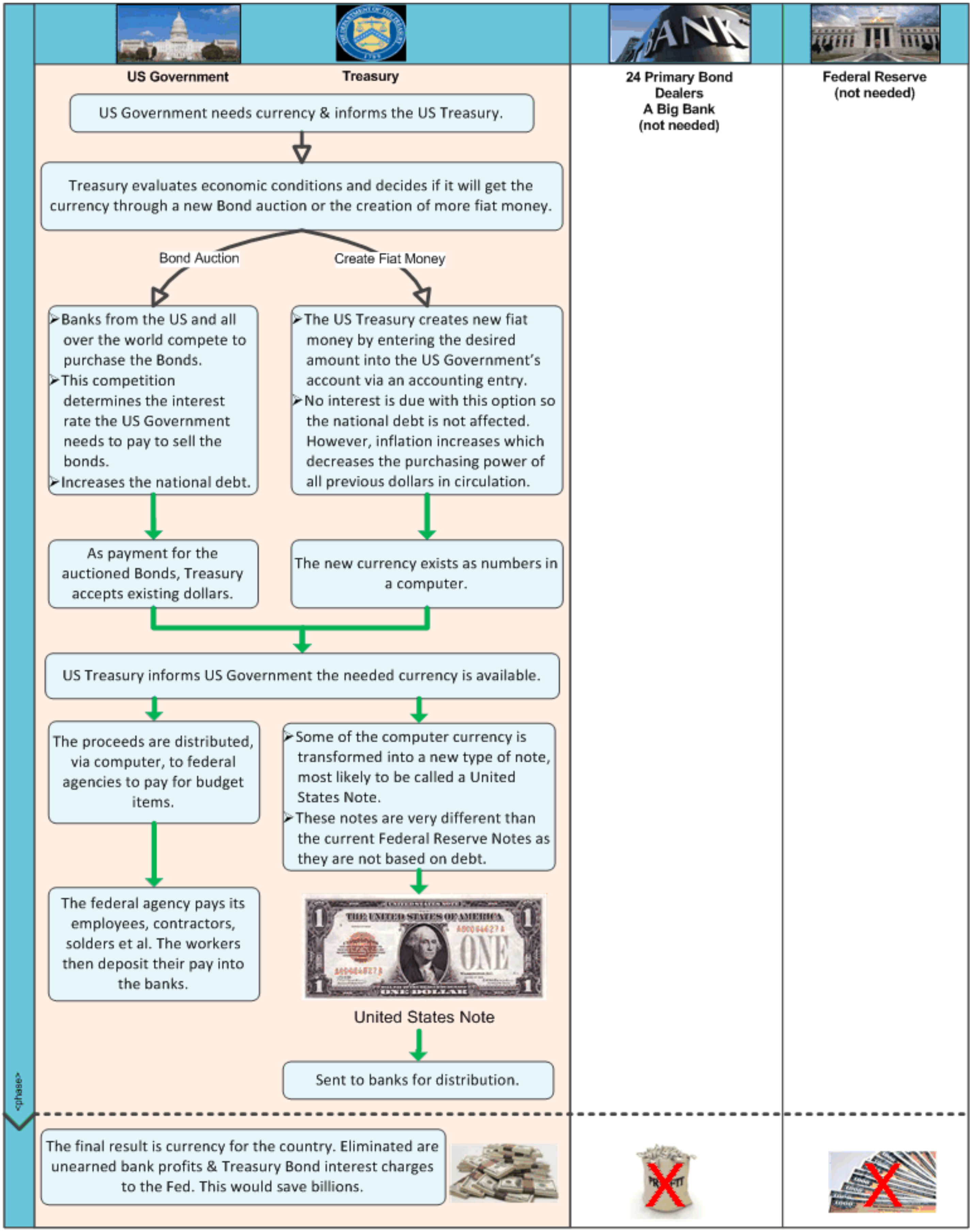


Figure 2 - How the Federal Government could Create Money from Nothing

How Commercial Banks Create Money from Nothing

Keys to Understanding a Commercial Bank's Money Creation Process

1. *When you deposit money in a bank it is no longer yours. It belongs to the bank. You own an IOU.* You are loaning the bank your money and becoming an unsecured creditor. To compensate you, the bank puts credits into your checking account hence the name checkbook money. Writing a check is an efficient way for the banks to transfer liabilities amongst themselves.
2. In order for a bank to make a "loan," a new deposit is needed, but not for the reason you think i.e., lending it out. The new deposit starts the "Reserve" process which allows banks to duplicate the amount of money deposited (less the Federal Reserve's reserve requirement) and call it the new name of "Excess Reserves." This new money created from nothing is what the borrower gets in a new "loan."
3. *From a banker's point of view money is not created out of thin air but taken out of the bank's excess reserves*. While this is true it is also true that the money used to make up the excess reserve is not the original deposit but rather money created from nothing. See "Fractional Reserve Banking Example"
4. Bankers use common, everyday words to confuse people in two ways;
    a. Redefining common words into something useful to the bank and not informing the client of the change. See "How Bankers Corrupt the Word "Lend" to Deceive Borrowers into Paying Interest."
    b. Using the same word in different contexts e.g., the word "reserve" is used to mean the Federal Reserve's reserve requirement, the amount of money a bank has in its own "Bank Reserves," and the amount of money created for the "Excess Reserves."

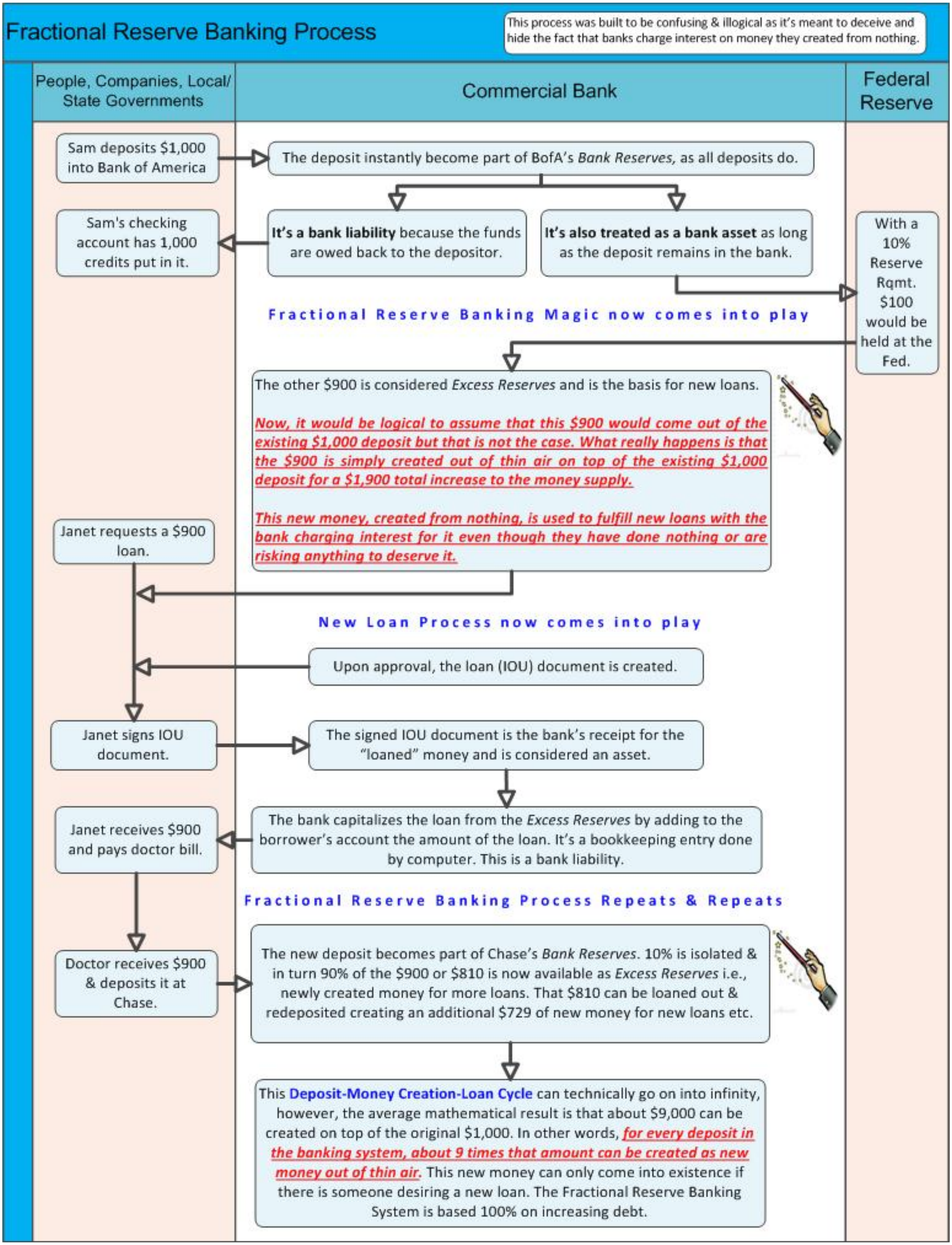


Figure 3 - How Commercial Banks Create Money from Nothing – The Fractional Reserve Banking Process

Fractional Reserve Banking Example

Refer to Figure 3. In order for a bank to make new loans i.e., create new money, a new deposit must occur which then triggers the "Reserves" process. Let's assume Bank 1 receives a new deposit of $1,000 from Sam. The $1,000 deposit instantly becomes part of Bank 1's Reserves, as all deposits do.

	Amount Deposited	*Additional Bank Reserves*		*Expanded Money Supply*
Bank 1	$1,000	$1,000		$1,000

Using 10% as the Federal Reserve's reserve requirement, Bank 1 has to take $100 from their Bank Reserve and store it at the Federal Reserve. The other $900 is considered "Excess Reserves" and is the basis for new loans.

Now, it would be logical to assume that this $900 would come out of the existing $1,000 deposit but that is not the case. What really happens is that the $900 is simply created out of thin air on top of the existing $1,000 deposit for a $1,900 total increase to the money supply. In other words, the $900 can be created out of nothing, simply because there is demand for such a loan and there is a $1,000 deposit to satisfy the reserve requirements.

	Amount Deposited	*Minus 10% Reserves held at the Fed*	*Excess Reserves New $$ to Lend Out*	*Expanded Money Supply*
Bank 1	$1,000		(this is the money created from nothing)	$1,000
Bank 1	$1,000	$100	$900	$1,900

Now, let's assume Janet walks into Bank 1 and borrows the available $900 of Excess Reserves to pay a doctor bill. The doctor deposits it into his own bank account at Bank 2. The fractional reserve process then repeats. The new deposit becomes part of Bank 2's reserves, 10% is isolated and in turn 90% of the $900 or $810 is now available as newly created money for more loans. That $810 can be loaned out and re-deposited creating an additional $729 etc.

	Amount Deposited	*Minus 10% Reserves held at the Fed*	*Excess Reserves New $$ to Lend Out*	*Expanded Money Supply*
Bank 1	$1,000		(this is the money created from nothing)	$1,000
Bank 1	$1,000	$100	$900	$1,900
Bank 2	$900	$90	$810	$2,710
Bank 3	$810	$81	$729	$3,439
Bank 4	$729	$72.90	$656.10	$4,095.10
. . .	. . .	. . .	. . .	. . .
		$1,000	$9,000	$10,000

This **Deposit-Money Creation-Loan cycle** can technically go on to infinity, however, the average mathematical result is that about $9,000 can be created on top of the original $1,000. In other words, ***for every deposit in the banking system, about 9 times that amount can be created as new money out of thin air***. This new money can only come into existence if there is someone desiring a new loan. The fractional reserve banking system is based 100% on increasing debt.

How Bankers Corrupt the Word "Lend" to Deceive Borrowers into Paying Interest

Bankers had a problem. They wanted to make lots of loans, collecting lots of interest, but without risking their own money. Ideally they wanted to use their power to create money from nothing and let the loan be capitalized by using the newly created currency. In this way there would be no risk to the bank because the bank would not be using any of their assets to fund the loan. The problem was how to get people to accept the idea of paying interest on money the banks created out of thin air. They didn't want the public to know they weren't using the bank's own money because they feared the populace would question the bank charging interest when they weren't actually lending any of their assets and taking no risk at all.

Their solution was to lie. Bankers decided to use the common word "lend[13]" and change its meaning in their contracts and not inform the borrowers. People would naturally assume bankers were using the word "lend" the same way the rest of the people on the planet use it. But that is not the case.

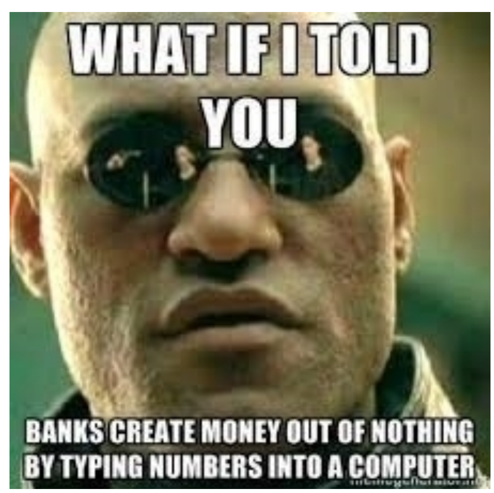
Banks use the word "lend" to make people think they should pay interest for using the bank's assets when in fact; the bank has done nothing or risked anything to deserve interest payments.

Bankers unilaterally redefined the word "lend" to describe their bank process that;

1) Creates new money for the borrower to use rather than using any of the bank's assets,
2) Creates new money from debt through accounting entries,
3) Requires borrowers to sign an IOU paying interest on newly created money - not the bank's money,
4) Requires borrowers to forfeit their collateral should they not pay the interest on the newly created money.

Today, most people borrowing money from a bank assume it's lending them part of its own money or that of their depositor's. Instinctively they think it fair to pay an interest charge for the privilege of using some of the bank's assets. After all, no one else can use them if they are – right? Wrong - this assumption is at the heart of the deception. This disinformation is vital to instill in the borrower's mind a feeling of obligation. That is, getting the borrower to feel it's only fair to pay the bank something for the use of its assets. In point of fact, the bank isn't using any of its assets. It is creating new ones. It is risking nothing, yet it charges interest as if it has.

Banks don't lend anything – they just want you to think they do so they can charge interest.



Signing the bank's lending agreement (IOU), provides the bank the legal authority needed through the bank's charter to create new money by a bookkeeping entry. A computer enters the loan amount into the borrower's checking account and the money supply increases. That's it – new money.

> ***"When a bank makes a loan, it simply adds to the borrower's deposit account in the bank by the amount of the loan. The money is not taken from anyone else's deposit; it was not previously paid in to the bank by anyone. It's new money, created by the bank for the use of the borrower."***
>
> ***Robert B. Anderson, US Treasury Secretary 1959.***

[13] These arguments also apply to the banker's use of the word "loan."