Limit to Limits: The Scarcity of Money and its Limitless Acquisition

Student Research Internship Report

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To what limit do limits exist?

We are placed in a boundless universe, with little knowledge of its expansive terrain. We have adopted this world and aim to live a good life, yet we frequently find our species to be suffering and unable to develop- people with no water, people with no food, people with no shelter. Quite often the reason is pointed to be limitations- a limitation of resources- most importantly a limitation of money. We have research institutes, educational institutes, designers and thinkers ready to create change. They have the ideas and the capability to carry projects out, but the common hurdle they all face is limited funding. Overcoming that hurdle could dramatically improve scientific advancement and wellbeing. For if we truly care about societal issues such as climate change, poverty, hunger and illiteracy then we as a society need to re-organize our system and drive change. This essay aims to study the root of the issue i.e., why is there seemingly not enough money to meet our needs? What causes money to be limited in nature?

A limit is a boundary beyond which an item ceases to exist. We live on a planet that is plagued with limits. We have a limited amount of air, water, land and food. Such limits create a feeling of scarcity. Our brains are now conditioned to live in a world of scarcity, in fact we value that which is scarce and consider them more desirable. We want more land, more food, more water. But beyond simply consuming the resources we find readily available on our planet; humans have the unique ability to create resources. One such resource we have created is money; and just as our other desirable resources' money needs to be scarce, or at least believed to be, so as to hold its value. The only difference between money and the other resources (food, water, air, land) is that money is manmade and intangible. Money thus becomes a construct of human imagination. But what limits can be set on the human imagination?

Money has been infinitely increasing surpassing any perceivable limit. The world's Billionaires are only getting richer and richer. In this past year itself they have acquired $4 trillion (USD), increasing their wealth by 54% (Picchi, 2021). One might think that the trillions of dollars were taken from the less fortunate but that is the *fixed pie fallacy*. The fixed pie is a metaphor that believes that there is a fixed number of resources that need to be distributed equally. Now this might hold true for land, water and food but when it comes to money the scenario is different. Over the years while the rich have got richer the poor,

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though disproportionately, have been able to increase their real income as well (Follett, 2015). Thus, the fixed pie fallacy says that the pie is ever growing i.e., there is no fixed amount of money in an economy, the amount of money is already being created limitlessly. So, should that not mean there is enough for everybody? The reality is that our current financial system is unstable. In the last half-century, the world has seen at least 425 financial crises (Joob, 2013). Our monetary systems have proven to be unsustainable and unjust (Joob, 2013). This system was created when the world population was of merely 2 million people, we now have over 7 Billion. Our old methods are now redundant, we need a reconstructed system sooner than ever (Gourani, 2015). But first, let's understand the present economic system.

At the core of any economy is its currency. The currencies that circulate in contemporary economies is called *fiat money.* 'Fia' in *fiat* is Latin for 'let it be done' / 'because I said so'. The government authorizes and recognizes this currency to be of use for exchange and taxes the citizens in their nation's *fiat currency* thus creating a demand for it (D'Souza, 2021). The government in this way makes it seem like the economic principles and monetary systems are equivalent to the laws of the natural world such as Newton's first law. This is where the issue of transparency arises. The people's belief in money being a physical entity (notes/coins) and treating it as a concrete good is a *fallacy of misplaced concreteness*. In reality, money is a system of measurement. Can you run out of meters when measuring a table? You could run out of measuring tape, but that is only an instrument… you cannot run out of meters because that's a system of measurement, similarly money is an economic means of measurement. In fact, most money in today's era is in digital form, making notes and coins merely symbols of money. Thus, if money is not tangible, how does it get created?

Most people would believe that the government prints money and spends it into the economy causing a trickle effect and a cyclic flow of money. In reality, every cent created is someone's debt. It is not the government but the commercial banks that create a vast majority of the money i.e., bank money (Joob, 2013). The commercial banks lend money to those entities through which they could earn a profit. The commercial banks are not vested in social good. Every time a commercial bank, government, business or individual takes out a loan, money is created. If person A goes to a commercial bank asking for a $100,000 loan, given that they have collateral, a bank would simply type those digits into an excel sheet, and the loan is granted (Joob, 2013). So, if money can be created out of thin air… why do governments speak of not having enough funds?

A radical school of thought on the government being able to create money out of thin air is Modern Monetary Theory (MMT). MMT argues that the government does not need our tax, as popularly believed, to invest in infrastructure, education or other social goods and services. MMT says, governments can in fact print their own money and spend it to tackle climate change, reduce world hunger/poverty, provide a universal basic income and universal job guarantee amongst other radical ideas.

Critics of the theory have argued that this would result in the government taking on too much debt and would cause hyperinflation (Horan, 2019). We've all asked, "why can't the government just print more money?" and that's a very good question. In fact, throughout history, governments have tried to simply print more money but that resulted in an erosion of their currency. In 2009 Zimbabwe's annual growth of prices shot up by 500,000,000,000% (Ndlovu, 2020). Zimbabwe had to disestablish its currency and begun to accept foreign currency such as dollars as legal tender. Similar situations arose in Venezuela and Brazil. Thus, the chase for unlimited money seemed like a naive fantasy with dangerous repercussions (Hartley, 2020). But what professionals fail to notice is that there is demand pull and cost push inflation. Demand pull occurs when the government is spending more than it should into the economy and so that causes a rise in demand and subsequent rise in prices. Then we have cost push inflation which is the most common form of inflation and is what happened in Zimbabwe and many other famous examples of hyperinflation. The Zimbabwean government wanted to rid the agricultural industry of colonizers who dominated the farming sector. They instead replaced them with the native population. But these farmers were ill-equipped with farming skills leading to a failure in agricultural output. There was a subsequent collapse in the food production system and Zimbabwe was forced to import all their food. This resulted in the need to print excess local currency to buy dollars in the forex market, causing their exchange rate to depreciate. Soon, this spiraled out of control. This example makes economists and politicians weary of MMT, but they do not see the difference… Zimbabwe had imported inflation due to a supply shock in agriculture leading to a cost push inflation, this is not the same as demand pull inflation which is MMT's limitation.

MMT goes on to speak about monetary sovereignty. Monetary sovereignty is defined as "the ability of states to issue and regulate their own currency" (Murau et al., n.d.). The United States, where MMT was conceptualized, has a lot of monetary sovereignty. But how does that look for other countries such as India? Can we limitlessly produce money? Even though we have our own currency we yet have to import certain goods in dollars, such as oil, and this makes our currency less sovereign. USA prints its money in the currency in which oil is priced (dollars) and so they have greater control over their currency and are able to print more money without its citizens being affected (Henwood, 2019). But this could drive down the value of India's currency and our living standards could be affected (Rajadhyaksha, 2021). Similarly, the countries in the European Union do not have any monetary sovereignty as they use a common currency, the euro, thus printing money endlessly seems to be an American privilege (Henwood, 2019).

Another drawback of MMT's perspective on limitless money is the question of who is in control and when do we stop printing more money? The MMT perspective of creating money out of thin air leads to a greater control from the government (Oliver, 2020), this could lead to inefficient spending and the government printing more money during rallies causing the economy to heat up too much, and in the greed for more and more where do we hit the brakes (Oliver, 2020)? Such debates have created a wide divide and have stumped political action on creating a flow of money to mobilize resources. With all the money being created there is more debt owed by the government. So how much debt is too much?

MMT proponents state, firstly, the nation being in debt is not the same as a company or household being in debt, because the nation is the creator of the currency. The debt the nation has created is simply the money it did not tax back (D'Souza, 2021). For example, if X government spent 100units into the economy and taxed back 90units, their deficit/debt would be 10units. But that 10units is now with someone else in the economy, so the government's deficit is a surplus for the people of the country, and it is not the people's debt. The proponents of MMT have thus argued that governments can spend more and take on greater levels of debt without having to worry too much.

Secondly, as stated earlier, they have agreed that inflation could be a concern. But they argue, inflation would only rise if the government spends much more money than the number of real resources it owns (labour, land, raw material). In the case of Zimbabwe, it was too much money chasing too few goods. What is important in government spending is to identify underutilized and undervalued resources and invest in that, which in turn would not result in hyperinflation (D'Souza, 2021). But apart from these rebuttals, MMT proponents have agreed that monetary sovereignty is key to being able to print money endlessly. Most countries, such as India, seem to lack absolute privilege with respect to that.

Another theory that has been considered is an *ecology of currencies* (Hallsmith & Lietaer, 2011). We have multiple needs and multiple forms of capital such as environmental capital, human capital, infrastructural capital, technological capital etc. If we could develop a multitude of currencies that complimented each other and each existed for a specific role, then inflation could be mitigated, as inflation is caused by too much of one type of currency (Hallsmith & Lietaer, 2011). Then could we create our own monetary sovereignty and limitlessly acquire a pool of currencies to mobilize resources in different sectors of the economy and live an abundant life? Or at least a life where everyone meets their basic needs of food, water, a clean environment and access to education, wellbeing and health? There is debate here as well. For example, Zimbabwe has expanded to adopt multiple foreign currencies such as the dollar, yen, euro and even rupee. But these currencies have only led to confusion and made economic transactions cumbersome. Another ecology of currency recently gaining traction is crypto currency, but issues over negative effects on the climate and the government disregarding it as legal tender leaves narrow scope for its widespread use in the near future. We need to be able to develop a sustainable sovereign currency/currency at first and then, just as MMT propagates, develop strategies to invest in undervalued and underutilized resources.

A number of our resources are undervalued and underutilized, the greatest among them being the people of our nation. We are stuck in overtly focused mundane jobs such as cashiers, cleaners, clerks, drivers, sales people etc. But the untapped potential that lies in each person- the driver that loves to sing, the cleaner that loves to write and the sales person that loves to teach, goes completely unnoticed and gets lost in a capitalist economy. Even more than our skills, it is our collective dreams and visions we lose out on. The sustainable designs we want to build, or the radical innovative ventures we want to pursue gets lost in an economy that tells us there's no funding for our ideas, when all the funding is an abstract construction. This paper is a stepping stone in analyzing the options we have for access to a good life. We construct our own reality and the systems we create could stifle our innovation, individuality and ability to thrive, or it could allow for a sustainable life revolving around human wellbeing. It circles back to the first line in the essay, to what limit will we limit ourselves?

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