11/10/2015. The end of cash in the world and in the word

On 18th September 2015 the Bank of England's Chief Economist, Andrew Haldane, publicly suggested abolishing cash. His speech deserved greater media prominence.

The Book of Revelation describes the events that lead to Jesus' return to this earth in power, to rule. Everybody who chafes under corrupt government should be glad – and by then that will be everybody, for an evil world government is prophesied. Jesus returns when its leader attacks Israel, where Christianity will at last have taken off where it began. Two prophetic signs that these events are quite close: globalisation, and the return of the Jews to the Holy Land. Neither of those things was true just two centuries ago. The prophet Daniel says that the end will "come like a flood."

Revelation 13 describes the "mark of the beast" which all people will have to accept on their hand or forehead to be able to buy or sell – food or anything else. That means cash will have been sidelined, and electronic payment systems make this feasible. A great financial crash is described in the Book of Revelation in chapter 18, so it occurs after the one-world financial system involving the "mark of the beast" has been put into place. Some commentators have supposed that that system replaces an earlier financial system that collapsed in a previous calamity. Haldane's speech suggests another way of enacting this cashless system, however. What made him propose it?

On September 17th Janet Yellen, who is in charge of the Federal Reserve Bank in the USA, was due to announce whether she would increase interest rates. She chose to keep them at rock bottom even though the crisis that caused their drop almost to zero was 7 years ago. Never have central bank interest rates been so low for so long. The Fed wants to raise them so that it can drop them in the future as part of its brief of financial management, but it dare not raise them for several reasons, not all of which can be acknowledged openly. Raising interest rates would discourage recovery by raising the cost of borrowing – and the biggest borrower is the US government. Also, American investment banks are so heavily 'leveraged' (*i.e.*, in debt) that they might be at risk if the interest rate rose – and they are supposedly "too big to fail", meaning that if they crumble then so does the financial system; cashpoints go dark and local bank branches doesn't open next day. Whether that is actually true, nobody is certain, but investment bankers exploit the uncertainty to behave recklessly ('moral hazard'). You and I have to pay back our debts (rightly) but investment bankers get bailed out if they go wrong – by our money. That happened in 2008, after which Washington should have broken up or otherwise restricted the activities of the largest banks, so that any failure of theirs would not take down the rest of the financial system. No such reform took place, because government and finance are too close to each other.

The Fed's financial management mandates further cuts in interest rates to stimulate the economy. But you can't cut the rate below zero, because negative interest rates mean that savers pay a percentage to keep their money in the bank, and they would keep it under the mattress for free instead. Financiers call this constraint the 'zero lower bound' (ZLB) on interest rates. Now, though, they see a way round it: abolish cash, so that you can't hide your money privately. That is what the Fed and the Bank of England are musing, and what Haldane said in his speech – aptly titled *How Low Can You Go?* – the day after Yellen kept interest rates unchanged. Here are his words:

www.bankofengland.co.uk/publications/Documents/speeches/2015/speech840.pdf

A more radical proposal still would be to remove the ZLB constraint entirely by abolishing paper currency… One interesting solution, then, would be to maintain the principle of a government-backed currency, but have it issued in an electronic rather than paper form. This would preserve the social convention of a state-issued unit of account and medium of exchange… But it would allow negative interest rates to be levied on currency easily and speedily, so relaxing the ZLB constraint.

You give everybody a bank card charged up with the value of their account and then demand by law that all transactions be made using it. That makes negative interest rates possible, or in other words whisking off part of your savings each month. Politicians would have to do as President Roosevelt did in the Depression and outlaw the private holding of gold, but if he could act unscrupulously then so can they. That is how a cashless system could be put in place without any crash. (Some nations, such as Sweden, seem all too keen to go cashless.) Another rationale would be to stop criminals hiding their dealings; that was not lost on Haldane either.

For completeness, let me add that the Fed and other central banks have another tool in their financial management kit as well as setting interest rates. They can print money (or do the electronic equivalent). Although a government may print money it cannot print wealth; the hope is that printing money will kickstart spending and business investment, so as to generate wealth. Perhaps a more compelling reason, though, is to stave off deflation, which makes debt larger in real terms – and the US government is the largest debtor. (Some government liabilities are nowadays inflation-linked, such as public sector pensions and healthcare, so government might not now be able to inflate its debts away.) The name for this process of money printing is quantitative easing (QE). It's not working, though, for people are reluctant to invest in business activity in such an uncertain climate. Much of the money goes into pumping up the stock exchange, rather than improving the firms whose shares are quoted there – a process that favours speculators rather than wealth creators. There is also a risk that money already printed during QE could flood into circulation in the future and give rise to runaway inflation. In fact, what is the moral basis of printing unbacked money (known as *fiat* currency) at all? You and I cannot print money without being jailed for forgery but the government can, because it sets the laws; that difference is why economic theory is different for nations and for households. Yet in ancient Israel the king was under the law and, was prohibited from doing that by the laws on fair weights and measures (Deuteronomy 25; an honest banknote is a receipt for a fixed amount of precious metal in the vaults). There are warnings against the practice in Isaiah 1:22 and Amos 8:4-5; Proverbs 11:1 calls it an abomination. Fiat currency makes it possible in principle for every nation on earth to be in debt (something which should be a contradiction). That raises the question: in debt to whom? The answer is: to those who run the financial system. Without *fiat* currency, moreover, the business cycle of unsustainable boom and socially distressing bust might be absent.

You can sign a petition against Haldane's proposal to abolish cash here:

https://petition.parliament.uk/petitions/109727

The end is not yet nigh, but the dominoes are being put in place. Come, Lord Jesus!