

But the state can create its own money. After all, banks do this every day. Certified, card-carrying bankers are allowed to do something nobody else can do: they can create “credit” with accounting entries on their books.

“Banks actually create money when they lend it. Here’s how it works: Most of a bank’s loans are made to its own customers and are deposited in their checking accounts. Because the loan becomes a new deposit, just like a paycheck does, the bank . . . holds a small percentage of that new amount in reserve and again lends the remainder to someone else, repeating the money-creation process many times.”

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