



### **The redistribution of wealth**

The central bank issues legal tender money<sup>1</sup> and put it into circulation purchasing goods and securities mainly issued by states<sup>2</sup>. Who receives this money, deposits it in an ordinary bank against an interest.

The ordinary bank holds a very small part<sup>3</sup> of deposited money as reserve and it grants loans for the rest against higher interests that the ones that it recognizes on the deposits.

Who receives the loan pays debts and who collects, pays money into the same bank that has granted the loan or into another bank.

The bank that receives the payment (new deposit) holds a very small part<sup>4</sup> of it and it grants the rest as loan, which in turn will be paid as deposit.

Through the repeat for more than 300 times<sup>5</sup> of further deposits and loans originated by the money the central bank issued, the banking system as a whole multiplies this valueless money to 50 times: the banking system receives as deposit and grants loans to 5.000 for each 100 issued by the central bank.

At the same time, the banking system as a whole receives from that 100 about 500 of interests on the loans, pays about 200 of interests on the deposits, bears operational costs for about 120, makes earnings of about 180, pays taxes for about 60 and earns net profits of about 120. States receive 60 of income taxes from banks<sup>6</sup> and 30 of interest taxes from depositors<sup>7</sup>, for a total of 90.

According to the Bank of International Settlements in Basel (the bank of the central banks), at the end of 2007, the nominal value of outstanding legal tender money issued by central banks was equal to about 5.000 billions Dollars, 60% of which in Dollars, Euro, Pounds and Yen.

Consequently, at the same date, the money supply in circulation should have been at the outside equal to 250.000 billion Dollars, equal to 50 times the money issued by the central banks.

Instead, the money supply in circulation at the end of 2007 was equal to more than three millions of billions Dollars, i.e. twelve times higher than the maximum possible.

Who put into circulation the surplus and how did he? The financial system put it into circulation: business banks, insurance, funds and other subjects that operate on the credit derivative market. By a fraud, the biggest fraud that was ever carried out on the planet.

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<sup>1</sup> Legal money has no real value, because it has no value itself and real goods don't guarantee it. It's like a bill with no term. It takes value only by force of law and still by law it have to be accepted as payment. If legal money had a real value, it wouldn't need legal tender.

<sup>2</sup> Public securities.

<sup>3</sup> On average 2%.

<sup>4</sup> Still on average 2%.

<sup>5</sup> To 330 times: deposit, loan, deposit, loan, deposit, loan, etc.

<sup>6</sup> The average tax rate on profits is of 33%.

<sup>7</sup> The average tax rate on depositors' interests is of 15%.



The fraud consists in managing non-existent money. How? By the debt and the leverage on the debt. A financial institution receives money as deposit and invests as debt more than what it receives, therefore more than what it has at its disposal. Another financial institution receives fictitious sums and it in turn invests as debt more than what it receives. And so on, up to infinity, till the system as a whole has suffered a total loss that is higher than the total amount of the deposits in bank money.

Its name is pyramidal finance<sup>8</sup>, in which the yields<sup>9</sup> on deposits and on unproductive financial investments (because they are invested outside real economy) are paid by the new deposited savings. When the deposited savings is not sufficient anymore to pay the yields, the central bank issues new money. But, the money increase that is higher than the increase of real production of goods and services causes purchasing power loss of all money in circulation and consequently the losses of finance increase.

It's not a liquidity crisis, but a solvency crisis and it occurs when the losses exceed the original capital. As it happens in any enterprise when the losses exceed the venture capital. It goes bankrupt. When this situation occurs, the system implodes: not only can't it pay the promised yields anymore, but it can neither pay back the capital received as deposit from the savers. And it is the chaos.

In these conditions, the financial system has to be managed as a bankruptcy procedure: as credit, there are the real goods purchased by the money the central bank issued and by the credits fictitiously created through the pyramidal method, which are uncashable now; as debt, there are the real deposited savings and the debts fictitiously created through the pyramidal method.

As fictitious debts are higher than fictitious credits through the losses, a surplus of debt remains, by offsetting fictitious debts against fictitious credits. Then, the credit real goods have a value lower than the debt represented by the sum between deposited savings and surplus of fictitious debts.

At this point, to whom real goods have to be assigned? Certainly not to the fictitious creditors, who actually have invested only debts securities. Not to the major shareholders of the financial system who have caused the bankrupt. Real goods should be divided up among those who have deposited real savings. But, by assigning goods to those who have deposited real savings, workers who have contributed to produce profits from which real savings derive would be excluded, because of the well-known [disparity](#) between market value of goods and services and value recognized to work used for their production.

We must consider all those who have taken part in the production from which savings have arisen, so that allocation of the goods is equitable: they are enterprisers and workers of real economy, the only that has produced real wealth. Isn't it possible? Yes, it is possible, if we decide to redistribute wealth. It's sufficient to divide up into equal parts a certain quantity of goods and allot

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<sup>8</sup> In the United States they call it Ponzi Scheme. The Madoff case is an example of it, but it's only the tip of an iceberg. So finance has worked in the last three hundred years.

<sup>9</sup> Interests, dividends, capital gains, etc.



them to all people and the rest to those who have taken part to the production according to their concrete contribution.

**Dhana** is exactly for that. By allotting this currency to each person with at least 16 years age in equal parts (100 Dhana), we cause an increase of money supply and at the same time we reduce the purchasing power of legal money (which actually doesn't have any real value), with the consequence that the value of Dhana increases compared with legal tender and that we can purchase more goods by Dhana from those who receive it as allocation of the bankruptcy of the current financial system.

This process will be as much necessary as runaway<sup>10</sup>. It will occur in three phases. Savers will ask for repayment of the deposits not in legal tender but in real goods, as soon as they have realized the current real situation of the banking and financial system. Everybody will ask for payments in Dhana, as soon as they have understood its value and consequently the process of the diffusion of this currency will speed up. Once the goods that are now in the hands of the banking and financial system have been allotted to depositors and the allocation of Dhana have been finished, wealth, which is now concentrated in few hands will be redistributed.

At this point, as Dhana represents the work necessary to produce the goods and services that will be exchanged for Dhana and more than 100 Dhana will be not issued for each allottee, it will be not possible anymore to think up a finance that has nothing to do with real economy and every difference between the market value of goods and services and the value of the work necessary to their production will be eliminated.

When will it be possible for the process to start? Predictably as from May 2009, when the demands caused by the global economic crisis will become more impelling and when the announced artificial solutions will turn out to be without real effects. In that moment hard facts will go beyond every appearance, every announcement and every illusion. People will not believe anymore in a cyclic crisis, they will look into themselves and will tackle the outside. They will get information, they will think about how to get out of the situation and they will think about consumerism, about the misplaced confidence and about the few things that really have essential value.

Only then, after anger, disappointment, fear and depression, they will be able to understand how things are really. And they will decide that together, only together, we can.

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<sup>10</sup> Necessary because it corresponds to the concrete needs of the great majority of population, runaway because it corresponds to the only workable solution from which trust can still derive.