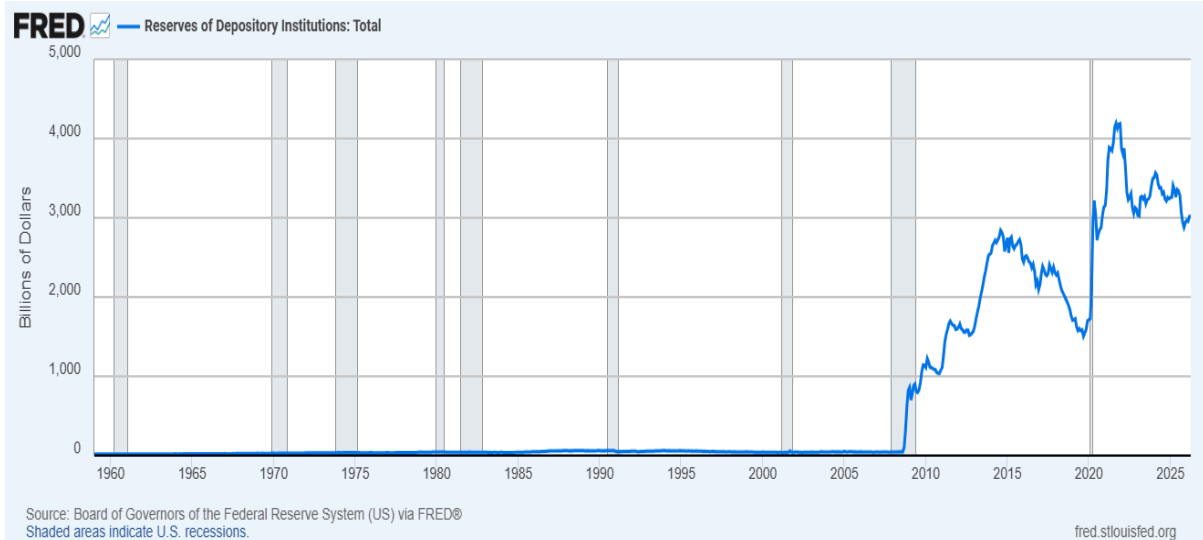


THERE IS FREE LABOUR BUT NOT FREE MONEY.

This brief article was written in response to a question asked by David Stevenson on this site. I was going to comment but the volume of information is too big to fit into a comment.

As a result of post 2008 QE followed by Covid Assistance payments, [bank reserves have shot up](#). This is what printing government money formed by debt looks like. Currently bank reserves are \$3 trillion.



The current interest rate on bank reserves is around 3.65% so the banks earn around \$110 billion in interest paid by the Treasury. This amounts to \$110 billion p.a.

Table 3.
Outlays, October–May

Billions of Dollars

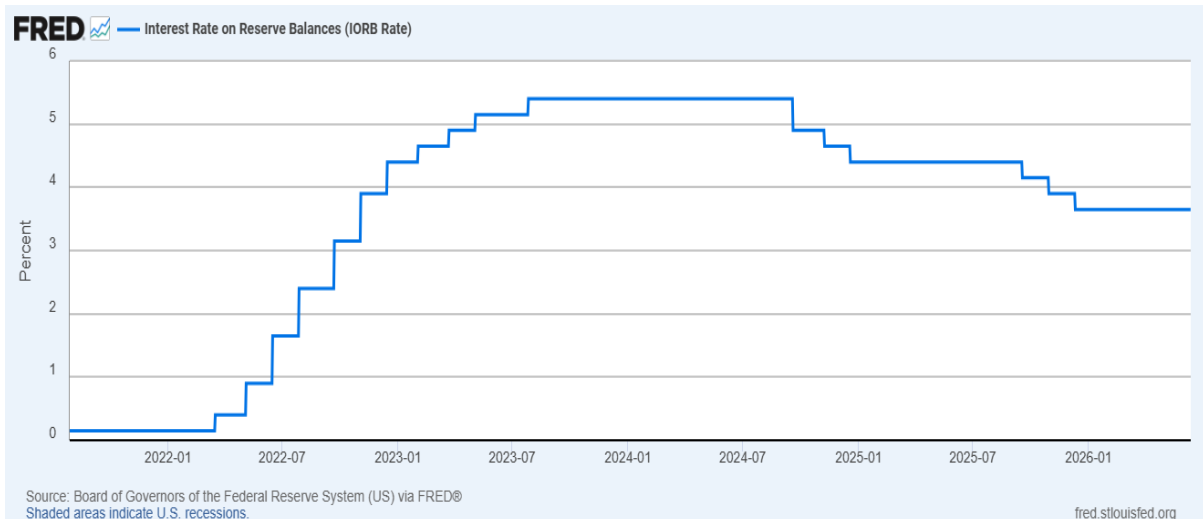
Note interest payments are now the second biggest outlay, bigger than military spending.

Estimated Change With Adjustments for Timing Shifts in Outlays^a

Major Program or Category	Actual, FY 2025	Preliminary, FY 2026	Estimated Change	Billions of Dollars	Percent
Social Security Benefits	1,036	1,093	57	57	5
Medicare ^b	697	674	-23	44	7
Medicaid	436	472	35	35	8
Subtotal, Largest Mandatory Spending Programs	2,169	2,239	70	136	6
Department of Veterans Affairs	260	271	11	25	10
Environmental Protection Agency	31	11	-20	-20	-64
Department of Homeland Security	79	63	-16	-16	-20
Department of Education	93	84	-9	-9	-10
Department of Commerce	18	9	-8	-8	-48
DoD—Military ^c	582	600	19	24	4
Net Interest on the Public Debt	674	742	68	68	10
Other	942	885	-58	-46	-5
Total	4,846	4,903	57	154	3

Or at least 10% of the annualised interest payments (This data can be found [here](#).)

Here is the curvature of the [interest rates](#) the FED pays Commercial Banks for their deposits with the FED.



Thus, the issue of printing money either through the purchase by the FED of Treasury bonds, or the issuance of bonds to fund say Covid payments is the issue of interest rates. The lower interest rates the bigger the burden of non-circulating money the government can bear.

It is important to note that these reserves form a hoard which does not enter into circulation. In terms of [COVID disbursement of \\$4.7 trillion](#) during the Pandemic half went into circulation and the other half ended up in reserves. The half that went into circulation funded the price gouging by corporations exploiting supply disruptions. Thus, when we talk of the FED buying treasuries, much of the money the Treasury receives from the FED tends to end up as bank reserves. The debt is not destroyed. There may be proportionately fewer treasuries held by the public, but that debt passes over to the FED. Total debt is therefore not destroyed MERELY transferred. The interest paid therefore does not reduce. This is the key point. There is no such thing as free money. The interest payments must still come out of taxes, and due to the burden of interest, other government services and supports are suffocated.

This the MMTeers do not understand.

John Keely is right. Money is not a thing; it is a social relation or more precisely a value relation. The bulk of money comprises revenue or what is the same thing legacy value originating from previous cycles of production then divided into its tributary forms - wages, rents, interest, profit, pensions, social security and so on. Revenues form over 90% of M2, temporary money or bank credit only forms around 5%. Yup folks it's not the banks who create money but value emerging from production. All of you live off your wages or pensions. You do not subsist on bank loans. Indeed, unless your revenue covers interest and repayment, banks won't lend to you.

For more on the nature of money do read the talk I gave at Historical Materialism on MODERN MARXIST MONETARY THEORY.

<https://theplanningmotive.com/2024/10/17/my-proposed-presentation-on-money-at-the-historical-materialism-conference-in-november/>