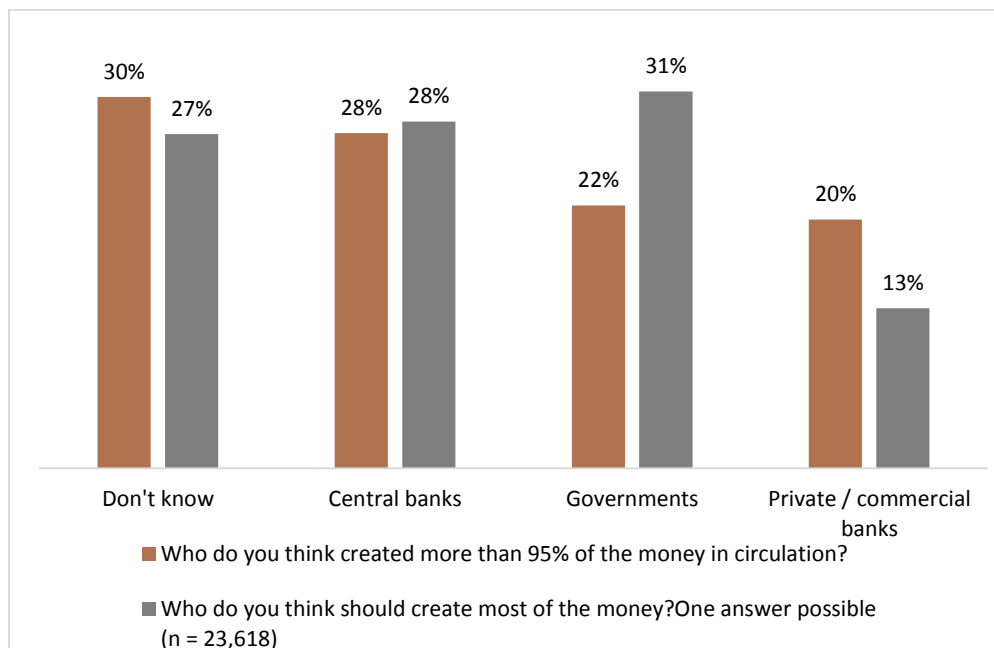


## Fact sheet - Knowledge about who creates money low amongst international population

### Only 13% want private commercial banks to create most of the money

#### Public perceptions on money creation

Motivation International and the Sustainable Finance Lab have asked more than 23,000 people in 20 countries that represent 75% of the world economy about who they think actually creates 95% of the money in circulation and who they think should create most of the money. These questions were part of the Glocalities survey that Motivation International conducted in December 2013 and January 2014. The following graph shows the results that will be presented on the occasion of the Sustainable Finance Seminar on money creation (November 22, Felix Meritis, Amsterdam).



Base: Glocalities survey Motivation 2013/2014

#### A minority of 20% is aware that private/commercial banks create most money

A significant proportion of people across the globe (30%) have no idea who creates most of money in circulation. Half the people think it is a public institution (either a central bank or the government) that creates most of the money in the financial system. Only 1 in 5 respondents gave the right answer, that it is private/commercial banks who create more than 95% of the money<sup>1</sup>.

<sup>1</sup> In the modern economy, most money takes the form of bank deposits. But how those bank deposits are created is often misunderstood: the principal way is through commercial banks making loans. Whenever a bank makes a loan, it simultaneously creates a matching deposit in the borrower's bank account, thereby creating new money. Bank deposits make up the vast majority (97%) of the amount of money in circulation.

Source: Bank of England paper on Money creation:

<http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q1prereleasemoneycreation.pdf#page=1>

Money creation is also explained in the following paper of the by Sustainable Finance Lab (in Dutch):

<http://sustainablefinancelab.nl/publicatie-rapport-de-geldkwestie/>

## People prefer public institution to create most money

When asking people who they think *should* create most money worldwide, only 13% prefers private/commercial banks to fulfill this responsibility, against 59% who wish for a public institution (either government or central bank) to be the main creator of money. 27% does not know who should create most of the money. Among people who correctly state that private/commercial banks create most money in circulation, only 27% believe that this should continue to be the case, whereas 63% of them want to see this responsibility transferred to governments or central banks. Three out of four people who believe that most of the money is created by either central banks or governments prefer money creation to be a public responsibility (for either central banks or governments) and only a minority of 12% of them would rather assign this responsibility to private of commercial banks. The following table summarizes these findings.

		Who do you think created more than 95% of money in circulation?				
		Governments	Central banks	Private / commercial banks	Don't know	20-country average
Who should create money?	Governments	45%	31%	34%	19%	31%
	Central banks	28%	46%	29%	13%	28%
	Private / commercial banks	12%	12%	27%	5%	13%
	I don't know who should create most of the money	15%	11%	10%	63%	28%

## Characteristics of the 4% who are knowledgeable and prefer commercial banks to create money

Many economies and population segments have been impacted severely as a result of the global financial crisis of 2007/2008, which was the worst financial crisis since the great depression of the 1930s. In most countries trust in banks is rather low and there is a lot of misunderstanding about the process of money creation. When we specifically look into the backgrounds and values orientations of the minority of people in Western countries (Europe, USA, Australia, Canada) who know that more than 95% of the money is created by private/commercial banks and state that this should remain the responsibility of private/commercial banks (N=543, or 4% of the population), several characteristics emerge. These people who want private/commercial banks to have the responsibility for creating money (and hence play the key role in the financial and monetary system) are more likely than others to be male, higher educated, manager and to earn higher incomes. When looking at their values, several traits that are related to an ideology of free-market capitalism emerge. They are more likely to prefer competition over cooperation, are highly interested in politics, career oriented and more risk taking in nature than others. Furthermore, they more often believe that banks should primarily focus on achieving growth and not deal with social goals such as ethics and human rights. Apart from this, they are on average more likely to say that the father should be the head of the household. The people who are aware that private/commercial banks create most of money and state that this responsibility should remain with these banks are on average happier with their lives than others, less worried about societal issues and less inclined to state that the differences between higher and lower incomes should be smaller. They are more likely to believe in the potential of new technologies for improving global standards of living in the future. They have more trust in the current political and economic system (greater trust in banks, multinational companies, governments and the legal system) and less trust than others in trade unions and the United Nations. In terms of Glocalities values segments (see [www.glocalities.com](http://www.glocalities.com)), the people who know that money is created by private/commercial banks and want this to remain the case are overrepresented among 'Achievers' and 'Challengers'.

## Most people in the financial sector do not know that private/commercial banks create money

When we specifically look into the answers of people who work in the financial sector in Western economies (Europe, USA, Australia, Canada) it becomes clear that only 26% know that private/commercial banks create most of the money in circulation. 33% of them think that central banks create most of the money and 16% think that governments create most of the money. 26% of the financial sector workers do not know who created most of the money. The awareness in the financial sector about who actually creates most of the money is only moderately higher than in the general population. When asked who should create most of the money, 35% of the financial sector workers choose central banks, 26% choose governments and only 16% choose to assign this responsibility to private/commercial banks. 23% of the financial sector workers do not know who should have the responsibility to create most of the money.

## Country differences in knowledge and opinions with respect to money creation

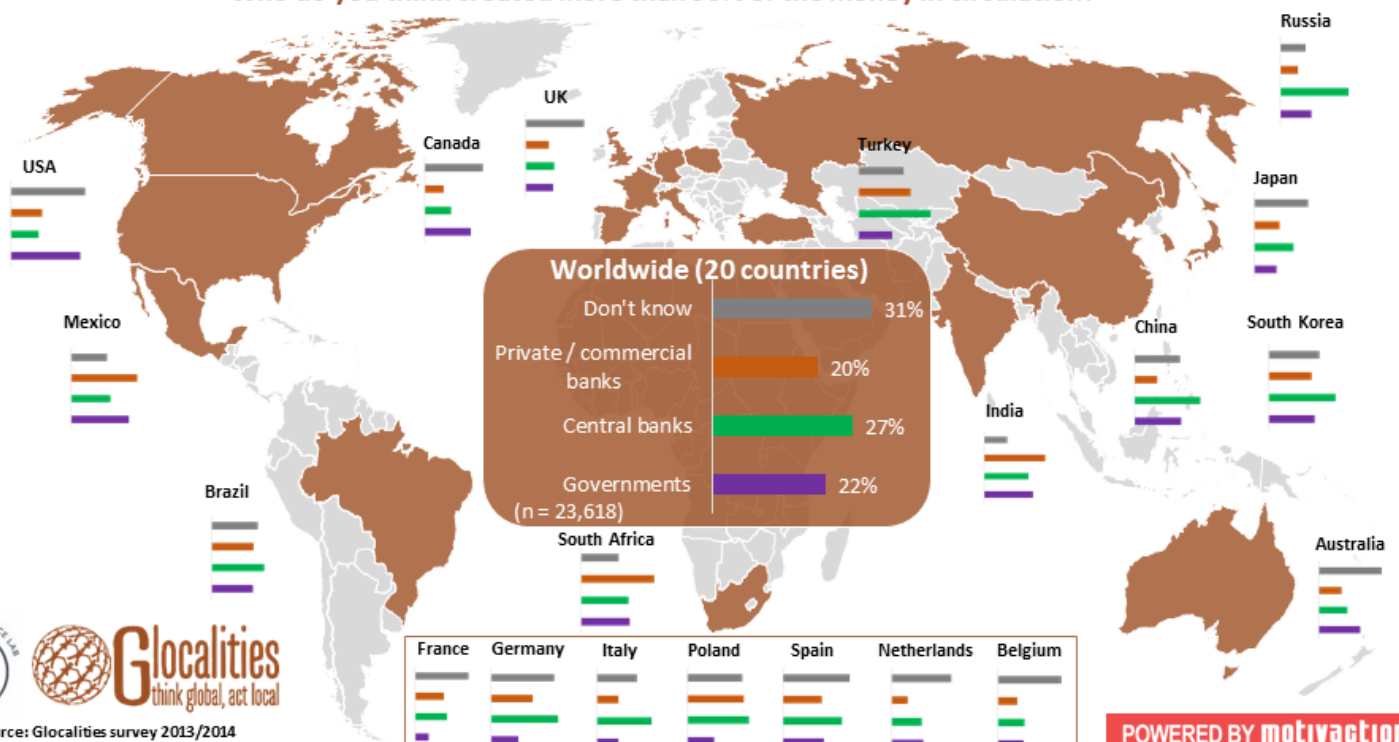
Looking at specific countries, we see that South Africa (35%), India (34%) and Mexico (33%) have the largest shares of people who are aware of the fact that commercial/private banks create most of the money. The Netherlands and Russia (12%) have the lowest awareness of this, closely followed by China (13%) and the US (15%). For all country differences on the money creation questions, see Appendix 2.

When it comes to the question who should create most of the money, the share of people naming private/commercial banks again is still the highest in South Africa and India, both scoring 23%. However, this remains low compared to around one third of the population of these countries that already knows that private/commercial banks create most money in circulation. Russia (4%) and the Netherlands (5%) score the lowest, closely followed by Spain (7%). Turkey (48%), Russia (45%) and China (43%) stand out as the countries with the highest share of the population that wants central banks to take on the leading role in money creation, while in Mexico (49%) and Italy (43%) there is a strong preference for handing this responsibility to the government.

The low scores on the view that private/commercial banks should create most of the money in circulation are partly related to a low level of trust in banks. This is the case in several European countries surveyed (Spain, Italy, UK, Belgium, Netherlands) and also in Russia.

# Money creation - What the world thinks

“Who do you think created more than 95% of the money in circulation?”



## Conclusions

The main conclusion from the analyses is that there is a lot of misunderstanding and a low level of knowledge in the general population worldwide about who actually creates money. Even among financial sector workers, only a minority is aware that private/commercial banks create most of the money. At the same time, the findings show that the public opinion on who should create most of the money is starkly different from how money creation is currently organized. The public majority (59%) wants to assign the responsibility for money creation to a public institution (government or central bank) and only a minority (13%) of people wants private/commercial banks to be responsible for creating most of the money (as currently is the case). The minority of people who know that most of the money is created by private/commercial banks and want to keep it a responsibility of these banks (in total 4% in Western economies) are more in favor of competition and risk taking and less concerned about societal consequences of banking practices than other population segments.

The survey findings are closely related to the debate on money creation. Too much risk taking, a neglect of possible societal consequences and a low awareness of how the process of money creation works contribute to the growth and acceptance of large “bubbles” in the global financial system, that are likely to lead to new crises in the future.

The clear preference of the international public (and among financial sector workers) for central banks or governments to take on the main responsibility for money creation instead of private/commercial banks echoes calls from an increasing number of monetary academics, practitioners and commentators to rethink money creation and assign this responsibility to a public body. Thus renewing a debate that also existed in the US in the 1930s after the great depression.

In recent books, former Bank of England governor Mervyn King, former chairman of the Financial Services Authority Adair Turner and chief economic commentator of the Financial Times Martin Wolf all formulated proposals along these lines. The UK not-for-profit Positive Money developed an alternative of public money creation and pushes this idea with partners in over 20 countries. The alternative of public money creation has been addressed in the British, Dutch and Icelandic parliaments and will be subject to a referendum next year in Switzerland.

### For more information:

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## **Glocalities reports about financial inequality**

Motivaction has recently published 3 reports about economic inequality in Europe and across the globe. These publications address the role of leading population segments in relation to less privileged groups in society.

### **The Rich Divide**

Self-oriented Rich and Social Rich: The two faces of a decisive segment. Exploring the values and mindset of the affluent from 20 countries.

Published in January 2016

<http://www.glocalities.com/news/the-rich-divide.html>

### **Towards 2030 without Poverty**

Increasing knowledge of progress made and opportunities for engaging frontrunners in the world population with the global goals

Published in September 2016, together with Oxfam International and Global Citizen

<http://www.glocalities.com/news/poverty.html>

### **Bridging the Empowerment Divide**

Enabling people to lead the lives they want. Values-based learnings from 13 countries in Europe and beyond.

Published in October 2016, together with ING

<http://www.glocalities.com/news/ing-glocalities-bridging-the-empowerment-divide.html>

## APPENDICES:

### Appendix 1: About Glocalities and the international survey

Consumer behavior, activism, trends and opinions around the globe are shaped by deeply-embedded value orientations. Glocalities is the international values-based research program of Motivaction. Glocalities ([www.glocalities.com](http://www.glocalities.com)) offers in-depth understanding of target audiences across the globe and covers more than 75% of the world economy. Aligning more effectively with people's needs and values unlocks many new possibilities for enhanced policy making, communications and engagement strategies.

The Glocalities survey was conducted online in two phases between December 2013 and January 2014. In the first phase, 48,041 respondents from 20 countries participated. These countries are: Australia, Belgium, Brazil, Canada, China, France, Germany, India, Italy, Japan, Mexico, Netherlands, Poland, Russia, Spain, South Africa, South Korea, Turkey, United Kingdom and the United States.

In the first phase of the research project, questions on socio-demographics and questions for building the Glocalities values based models were incorporated. The questions about money creation were included during the second phase of the project, at the initiative of Motivaction in cooperation with the Sustainable Finance Lab. In the second phase 23,618 re-contacted people from the first phase completed a follow-up questionnaire. The study in 18 countries was conducted through the online research panels of SSI, a research provider that is specialized in conducting international fieldwork. In the Netherlands the survey was held in the Stempunt panel of Motivaction and in Belgium the survey was conducted in the panel of Ivox. On average, the 20 countries that were analyzed at the time of the survey had an internet penetration of 66%. Quotas were set beforehand and the datasets were weighted according to national census data. Each country has an equal weight in the total dataset. The survey samples of 19 out of the 20 countries are representative for the populations of 18 to 65 years, with respect to age, gender, region and education<sup>2</sup>. With respect to age, gender and region, we weighted the Indian sample to represent the total population of 18 to 65 years old. Regarding education, the Indian sample is representative for the online population only. This is due to the very low overall internet penetration in India.

The questionnaire was conducted in 12 languages and was translated from the English source questionnaire by professional translators. The translated texts were then back-translated by other professional translators. Subsequently, researchers from Motivaction compared these back-translations with the English source questionnaire and improved the translations where necessary.

Early 2016 the second Glocalities survey was completed in 24 countries.

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<sup>2</sup> In Brazil, China, Mexico, South Africa, South Korea and Turkey the educational quota with respect to the low and middle educated were combined, due to the very low online presence of less educated people in general and in online research panels in these countries.

## Appendix 2: Scores per country on the question “Who do you think created more than 95% of the money in circulation?”

	Australia	Brazil	Canada	China	France	Germany	India	Italy	Japan	Mexico	Poland
Governments	27%	23%	31%	26%	11%	14%	28%	16%	16%	29%	13%
Central banks	18%	29%	18%	36%	25%	34%	25%	40%	28%	20%	31%
Private / commercial banks	15%	23%	13%	13%	23%	21%	34%	16%	18%	33%	28%
Don't know	40%	25%	39%	25%	42%	32%	13%	29%	38%	18%	28%
	Russia	South-Africa	South-Korea	Spain	Turkey	UK	USA	Netherlands	Belgium	20-country average	
Governments	22%	24%	22%	20%	17%	20%	34%	23%	19%	22%	
Central banks	48%	23%	32%	29%	35%	21%	14%	22%	20%	27%	
Private / commercial banks	12%	35%	21%	19%	26%	17%	15%	12%	14%	20%	
Don't know	18%	18%	25%	32%	22%	42%	37%	43%	47%	31%	

## Appendix 3: Scores per country on the question “Who do you think should create most of the money?”

	Australia	Brazil	Canada	China	France	Germany	India	Italy	Japan	Mexico	Poland
Governments	36%	36%	32%	27%	20%	21%	39%	42%	21%	49%	23%
Central banks	15%	34%	17%	43%	27%	28%	29%	28%	22%	26%	37%
Private / commercial banks	10%	12%	11%	12%	13%	15%	23%	9%	20%	13%	13%
Don't know	38%	19%	40%	18%	41%	36%	9%	21%	37%	12%	27%
	Russia	South-Africa	South-Korea	Spain	Turkey	UK	USA	Netherlands	Belgium	20-country average	
Governments	32%	39%	31%	37%	21%	31%	26%	27%	28%	31%	
Central banks	45%	23%	34%	33%	48%	21%	14%	22%	22%	28%	
Private / commercial banks	4%	23%	21%	7%	14%	10%	17%	5%	10%	13%	
Don't know	18%	15%	15%	23%	16%	38%	43%	47%	40%	28%	

## Appendix 4: About Motivaction and Sustainable Finance Lab

### Motivaction International:

As independent research and consultancy bureau, Motivaction researches the values, motives and lifestyle of people and organizations around the globe. Since our foundation in 1984 we have tested ideas, innovation plans, products and policy on success, for the short and long term. We do this empirically, with a critical attitude and innovative research methods. Motivaction is a international research bureau that combines business challenges, academic depth and societal motivations and translates them into specific opportunities and insights.

### Sustainable Finance lab:

The Sustainable Finance Lab is an informal interdisciplinary network of mostly academics of different Dutch universities. Its secretariat is located at the University of Utrecht School of Economics. Funding is organized through the SFL Foundation that receives support from Triodos Bank and the Dutch central bank DNB and project funding from different ministries and financial institutions. Sustainable Finance is also a strategic theme of Utrecht University.



#### **Appendix 4: Quotes for the press**

##### **Martin Wolf, Chief economic commentator Financial Times:**

*"A necessary condition for informed debate on the future of our monetary system is that the public understands how it works. This research demonstrates that only a small proportion does so. It also demonstrates that, when they are taught the reality, most people do not like what they learn."*

##### **Fran Boait, Executive Director, Positive Money:**

*"Money affects every aspect of our lives, but as this survey shows, not enough of us really understand how it works. After the banking crises of the last few years, it's time to ask whether banks should still be allowed to create our money."*

##### **Martijn Lampert, Research Director Glocalities at Motivaction:**

*"It is instructive to learn that the majority of people internationally think that most money is created by public bodies and not by private/commercial banks, while in fact the opposite is true. Even among financial sector workers the majority is not aware of the key role that commercial banks play in creating money and only a minority of them would naturally assign this task to commercial banks. Now the world is facing numerous challenges that can only be tackled by smart investment policies it is time to rethink how the responsibility for creating money should be assigned and monitored."*

##### **Rens van Tilburg, Director Sustainable Finance Lab:**

*"The current financial system is still prone to crisis. Giving public bodies a larger role in money creation can help to stabilize the system and give governments the much needed funds to invest in sustainability" Instead of embarking on an unprecedented and uncertain transition it might be wise to start with experiments."*