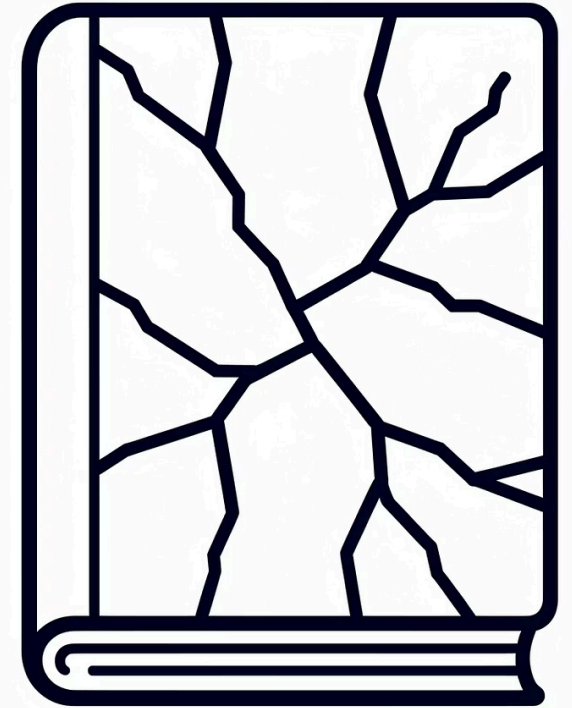


The Fractured Credit Machine

How Fiat Money is Created

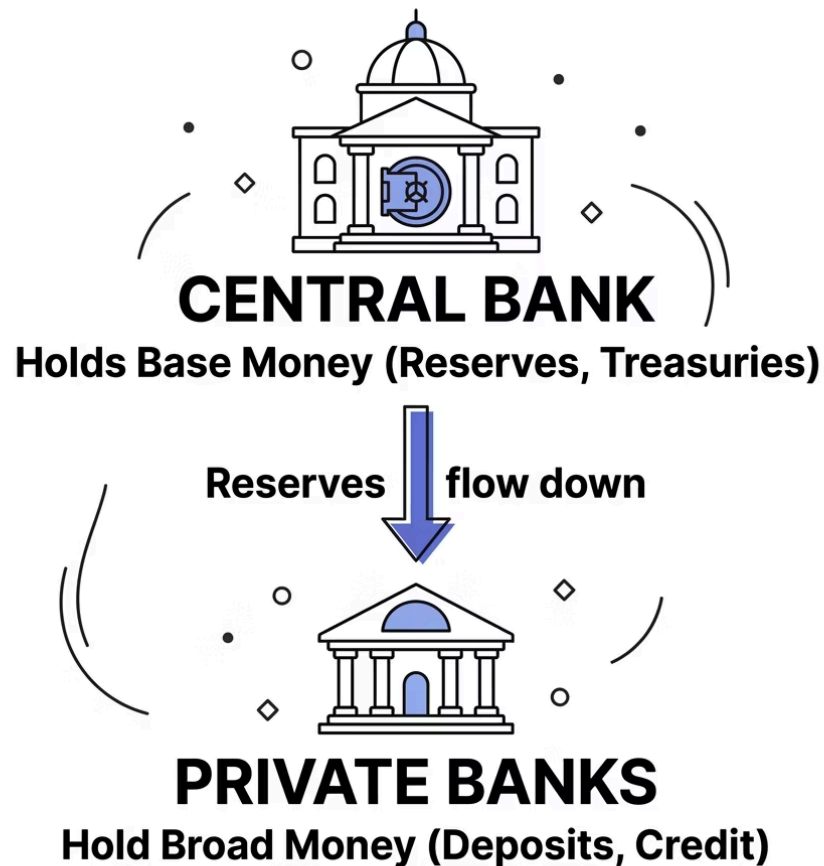
Based on Lyn Alden's *Broken Money*

SOUND MONEY SIGNALS



The Two-Tiered Money System

Modern money operates on two distinct layers, each with its own rules, mechanics, and risks.



Tier 1 : Central Bank

Creates **base money** (bank reserves) by purchasing government Treasuries. This money exists only on central bank ledgers, the public never sees it directly.

Tier 2 : Private Banks

Use reserves as a foundation to issue **broad money**, loans, deposits, and credit, multiplying the base many times over into the wider economy.



Step 1 : Government Issues Treasuries

The Deficit

When federal spending exceeds tax revenue, the government issues Treasury bonds - essentially IOUs to whoever will buy them.

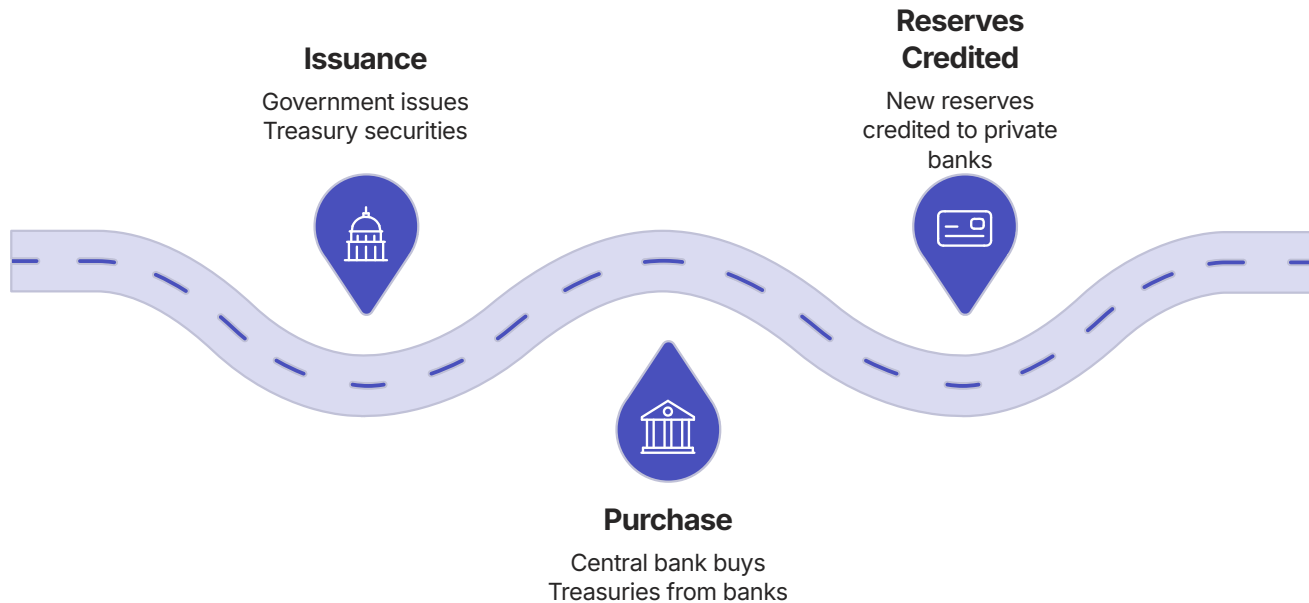
The Auction

Treasuries are sold at auction to primary dealers - large private banks that act as the government's designated buyers.

The Signal

Each new Treasury issuance is a claim on future tax revenue - a commitment that tomorrow's money will service today's spending.

Step 2 : The Central Bank Creates Reserves



Money Created from Nothing

The Federal Reserve purchases Treasuries from banks, not with existing money, but by **crediting reserve accounts**. This is money creation ex nihilo: new base money entered into the ledger.

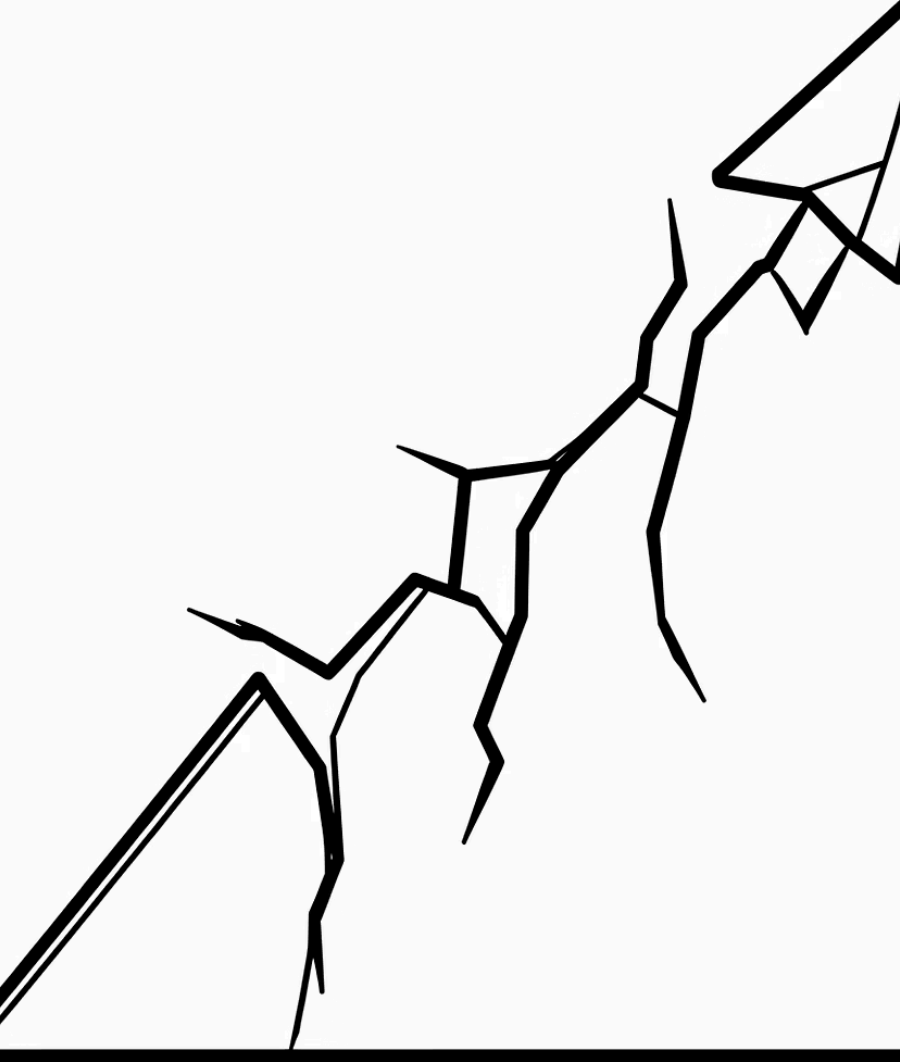
- i** Reserves exist only on central bank balance sheets. They are not physical currency, they are digital ledger entries banks use to settle with each other.

Step 3 : The Multiplier Effect

Private banks receive reserves and are permitted to lend far beyond what they hold, creating credit that expands the money supply 4–6× the base.



Each lending cycle creates new deposits, which become reserves for the next bank, which lends again. The system does not distribute money, it **manufactures it**.



Why the System is Fractured

1

Endless Debt Cycle

The system requires perpetual borrowing to function. Repaying old debt demands new debt, a structural dependency on expansion.

2

Financialization Over Production

Credit flows toward asset speculation rather than productive investment. The financial sector grows; real wages stagnate.

3

The Inflation Tax

As broad money expands, purchasing power erodes. Those holding cash bear a hidden tax — without a vote, a bill, or a notice.

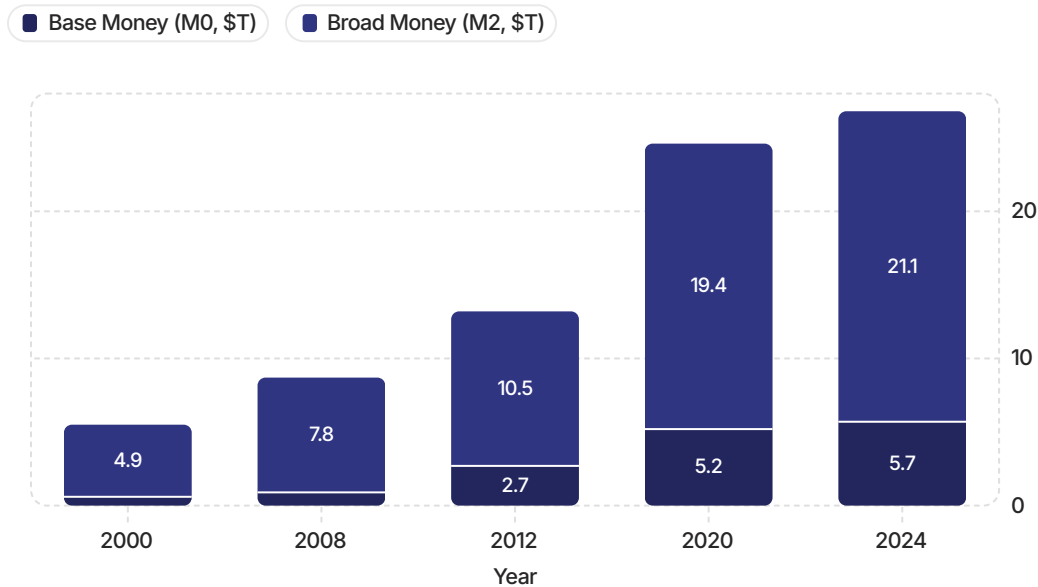
4

Opaque by Design

The mechanism is deliberately complex. Most people never understand how their savings are quietly diluted through reserve creation.

The Numbers Don't Lie

The gap between base money and broad money tells the story of how leveraged the system truly is.

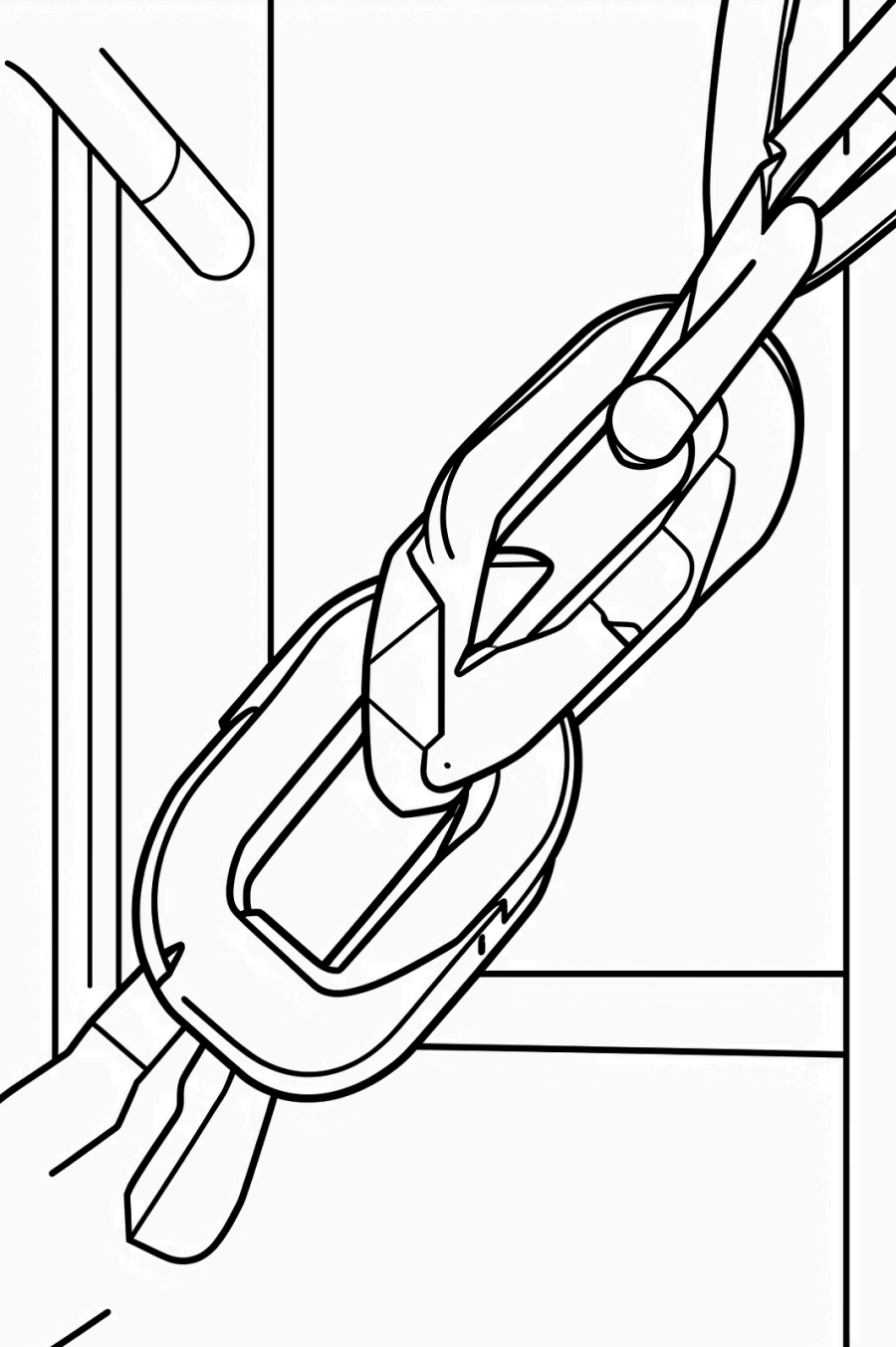


What the Gap Reveals

In 2000, broad money was roughly **8× base money**. Today, the Federal Reserve's balance sheet has ballooned, yet credit creation continues to outpace it.

Each financial crisis is met with a new injection of reserves. The leverage never fully unwinds, it resets to a higher baseline.

⚠ This is not a bug. It is the operating model. Growth is not optional — it is structurally mandated.



This Is Why We Need a Monetary Reset.

A system that must perpetually expand, that silently taxes savers, and that obscures its own mechanics from the public is not neutral infrastructure, it is a political choice. Understanding it is the first act of resistance.

"Money is fundamentally a ledger. The question is: who controls the ledger, who can edit it, and in whose interest is it maintained?"

— Lyn Alden, *Broken Money*

The Ledger View

Alden's central insight is that all monetary systems are ledger systems. Fiat is a ledger controlled by central banks and governments - editable, expandable, opaque.

The Core Question

Every monetary debate reduces to one question: **who has write access?** In the current system, that access belongs to institutions, not individuals. The ledger is not yours.

Bitcoin: Sound, Structured, Transparent Money

Fixed Supply

21 million. No central bank can edit that ledger.



Public Ledger

Every transaction is auditable. No opacity. No hidden expansion.

No Counterparty

No Tier 1. No Tier 2. One ledger, no privileged editors.

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