Rethinking Monetary Policy: Printing Money for Human Welfare and Long-Term Growth

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1. Main idea and motivation

Dear colleagues and friends, I am writing this essay with a purpose, readers should think about the idea I am presenting here, the style of essay may be informal, however, I will try to convey the message.

Once my teacher told me that forget about your books and sayings of economists, anchor persons, or political leaders when you are formulating a strategy for people of a country.

Always keep in mind that people living here are like your brother or sister or mother or your friend. Your brother needs job, your sister has a great desire to get admission in college, your mother is ill and you and your friend need a playground to forget the worries of life.

Now first judge the cost of your brother's unemployment and its consequences on your sister's education and your mother's illness and dreams of life

Then estimate the cost of shattered dreams of your sister if she could not get admission in college. Then estimate how much you are willing to pay to save the life of your mother

Remember!! There are many brothers, sisters, mothers and your friends who are being deprived of their basic rights because those are in a position to take decisions often don't consider people as their family members.

Insha Allah many of you will be in a position when you would be able to take decision, the decision about your brother's career, your sister's dreams and your mother's health, take right decision at that time. Because your brother may get job in near or far future but once the time to get education is gone it will not return, and if mother die, will never return again, the Mother, without substitute!

So the lesson is there is nothing like spending on education and health… and are these not the most deprived and neglected sectors in Pakistan? you know why? I am explaining below one of the main reasons of all these deprivations in form of following arguments and headings.

This essay presents a novel idea to print money that opposes traditional thinking. Generally, it is believed that increase in money supply can create inflation, however, money can be printed to develop infrastructure like educational and health facilities and to promote business activities. It may increase inflation in short run but in long run, this increase in inflation will be compensated for by increase in the production of goods and services. Moreover, more educated and healthy people on whom printed money was used will improve overall productivity and use of technology in the economy which will result in decrease in prices. Idea is money should not be printed by keeping gold and other similar reserves only, it should be printed keeping in mind the needs of population and industry. We should remember that humans in general are more precious resources than gold or silver which many people do not understand.

Policy makers need to come out this bookish notion of controlling inflation through tight monetary policy. The ultimate solution of inflation is always to increase in supply and competition. Remember, Prices of electricity, education, health care etc. in Pakistan are increasing due to shortage or demand supply gap and not due to excess supply of money.

People of Pakistan not using things like education and health care excessively, these are the things they have been deprived of. We should provide them basic facilitate even if we need to print money, it will not increase the prices of food items like wheat or most of the basic necessities in Consumer Price Index which are generally less elastic.

In short, we should remove shortage of goods and services to control inflation instead of depriving people and this can be achieved by easy monetary policy.

2. What is the purpose of money in the economy?

The purpose of money is known to many people, money serves as a medium of exchange, store of value, it can transfer value from one place to another and from one time to another.it also serves as a yard stick. All these purposes are very important and we will explain some of them with a purpose

When there was no money, people used to trade through barter system, the economy was slow due to various known reasons, people had to find relevant person who can buy their good or service in order to exchange good or service they need, it was time consuming, inefficient and resulted in lot of wastage of resources. Later, different kinds of money was developed, ranging from gold and silver coins to paper and later on electronic currency and funds transfer through mobile applications etc. All these developments in forms of currency has resulted in ease of trade and transaction across the globe.

Money in all ages has acted like blood in the human body, carrying oxygen and essential nutrients from one part to another. As a medium of exchange, it transfers value across individuals, regions, and countries, facilitating transactions, payments, trade, and production. When money is available in adequate quantity and circulates smoothly, economic activity remains healthy and productive.

However, when money becomes scarce, the economy begins to resemble a barter system: exchanges slow down, production declines, and new economic activities fail to emerge. Just as a body with low blood count becomes weak, pale, and fatigued—struggling to supply oxygen to vital organs—an economy with insufficient money supply suffers from stagnation, falling output, unemployment, and loss of confidence. In both cases, circulation and balance are essential for survival and growth.

3. How Was Money Printed During the Period of Abraham Lincoln?

During the American Civil War, President Abraham Lincoln refused to take loan from money lenders at very high interest rate. Instead, he issued special notes known in history as "Greenbacks" to finance government expenditure without relying on gold reserves. These notes were backed by the authority of the state and the future productive capacity of the economy. He not only financed the expenditures of the war but also able to do without taking loans, all that resulted in lot of economic activities. Despite criticism by money lenders and bankers the issuance of Greenbacks showed us a way that sovereign money creation for national development is both possible and effective when aligned with real economic needs.

4. Do we have enough money in Pakistan?

It is generally said that inflation is a monetary phenomenon and printing of money without reserves will create inflation, I disagree with this notion, if we look and observe carefully, we can see that people of Pakistan, in general, lacks money, from poor people to common people of middle class, everyone waits for the money to come to meet their needs, many people have assets and other valuables with them but not liquid money, so they often ask for time, to pay the fees of their children, and other liabilities etc. So if the society has enough money why everyone waits even to meet their basic needs, similar is the condition of many businessmen who often says that I will pay once receive the payment, it may be due to their habits of delaying payment or genuine need of liquid money which may not be available in enough quantity to meet the needs of trade and industry.

5. Is inflation in Pakistan due to too much money?

Generally, State of Bank of Pakistan adopt tight monetary policy to control inflation, and interest rate often kept above double digit. However, if we look and analyse carefully, we will see that most goods and services in Pakistan are expensive due to shortage as demand is greater than supply, or due to hoarding or heavy taxation by government. Examples include health and educational services which are less than the required number, prices of electricity was few years back was higher due to heavy taxation and shortage of electricity, however, now a days heavy taxation and mismanagement are the leading causes. Similarly, prices of petroleum are higher due to heavy taxation. With 5th largest population in the world and great production potential we need to adopt easy monetary policy so investment and production may increase which will increase supply of goods and services leading to decrease in prices. Prices can not be decrease with shortage in the market, it is the enough supply of goods and services that keeps inflation low and ensures welfare of population through real production.

In Pakistan, inflation is calculated through CPI where most of the items are basic needs, especially items like wheat, milk and other food items, these items are generally less elastic and people do not demand more once they get required quantity despite increase in their income, but if the are not getting enough quantity of wheat, milk and vegetables due to lack of money that should be the concern for authorities, if a child is not getting milk and other nutrients and education and unable to play as his parents do not have enough money, the price will be paid by the whole society, future generations will be less healthy, productive and efficient. So I believe, money should be printed to build schools, colleges, universities, playgrounds and to promote business and our industrial and agricultural productions. We should print money to extract minerals and untapped natural resources, to utilize our unused land and resources. it may result in inflation in short run but in long run a huge increase in productive capacity will compensate all the initial money printed without reserves. Let me explain it with an example, Building a new hospital or university by printing money would not increase the demand of essential food items which constitute major weights in CPI basket, it may increase the price of goods and services required to establish a hospital or university only in short run, not the items generally included in CPI and bought by general public as basic needs. however, in long run this increase in supply of infrastructure like health and educational facilities will improve production, efficiency and output of the country many times greater than increase in initial supply of money without keeping the resources and will result in increase in employment, consumption and living standard of people.

6. What Can Serve as Reserves for Printing Money?

Country like Pakistan need to think about the types of reserves to print money. Gold and other reserves should not be the limit to issue new currency. We are a country full of natural and human resources, initially money can be printed to mobilize those resources into productive capacity. Real reserves should include human capital, natural resources, productive infrastructure, technological capability, and institutional strength. A country rich in untapped resources can responsibly create money to mobilize them.

Pakistan has vast human potential, significant reserves of mineral resources, and strategic geographic advantages. Printing money to promote industrial development, extract minerals from our mountains, build infrastructure for transportation and trade, and develop human capital can open new horizons of growth far exceeding the initial monetary expansion. Such investment will convert inshaAllah our idle potential into real output, employment, and income.

7. Conclusion

A carefully analysis show that our country is lacking the enough money which is required to mobilize our potential and existing natural and human resources. Money can be printed to produce resources and generate economic activities, and, in the end, we will have enough resources which will compensate all the reserves we lack initially. Country like Pakistan with great reserves of untapped natural and human resources need to print money for productive purposes, to promote industries, to extract untapped minerals, to develop infrastructure and for the development of human resources. it may increase inflation in short run but in long run my result in greater investment, production and output which will lead to improve living standard, greater output and low inflation due to removing shortages of necessary infrastructure need to develop business and promote industry