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UCT professor calls for decentralisation of money creation



Professor Phillip de Jager

Photo: Robyn Walker

"Centralisation in banking is not positive for economic growth and innovation," argued [Professor Phillip de Jager](#) from [Department of Finance and Tax](#) at the University of Cape Town (UCT) during his inaugural lecture on Tuesday, 4 November 2025. His lecture was titled "The Numbers We Trust: Unintended Consequences of the Interconnectedness Between Money, Accounting, and Banking".

According to Professor De Jager, money creation needs to be as decentralised as possible. "It has been established that accounting is money and determines bank safety. Fragility comes from bad capital driving out good capital. It is also banks reaching for yield and the inversion of the yield curve."

De Jager used the example of the global financial crisis and how it provided a problem that combines accounting, banking and economics.

"Accounting is not often named a direct cause of the crisis but is often called a contributory factor. One radical example of this viewpoint is the opinion held by Steve Forbes, chairman of Forbes Media, to the effect that mark-to-market accounting was the 'principal reason' that the financial system melted down in 2008. Thus, there seems to be a strong suspicion that fair value accounting is procyclical," he said.

There are several common reasons for the 2008 financial crisis. These include lending to individuals who could not afford their loans, excessive borrowing (overleveraging), interest rates being too low for too long, an overly strong belief in the market's ability to regulate itself, and widespread greed.

"There are complaints that fair value accounting is procyclical. My idea is that fair value accounting amplifies the upswing, making banks fragile. To fully understand the argument, it is necessary to consider accounting's role in money creation. Accounting in banks is important because money is important. But there is more. Accounting in banks is also critical in determining whether a bank is a safe bank," said De Jager.

He added: "My idea is that fair value accounting amplifies the upswing. Accounting is not always neutral. In banking, accounting is money and bad capital drives out good capital. Accounting in banking has got effects on the real economy and might even contribute to bank crises. Accounting as money is powerful. Should that power be concentrated in a few decision makers or in more? More banks mean more credit officers that means more freedom and money created where it is needed."

He concluded: "Bank regulators did learn from the crisis in 2008 and tried to make the rules work better."

Story by Kamva Somdyala, UCT News

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