The Financial System Limit

The author has brought figure 1 (page 30) and the accompanying text at the top of page 31 up to date. The revised figure 1 and text appear below.

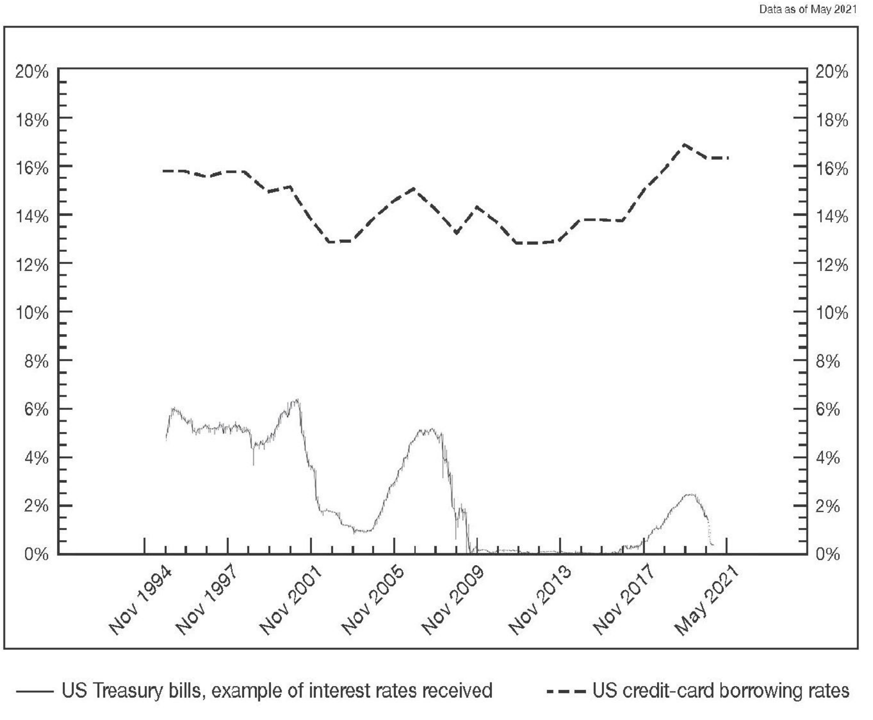

Figure 1 Paying more to the banking system

Comparing paid and earned interest rates in this way reveals the cost of credit. From 1994 to 2001, the difference between the two rates was around 9% to 10%. In 2003, after the dot com crash, deposit rates hit new lows, with Treasury Bills only paying 0.81%. By 2005, credit-card borrowers were typically paying 15%: the difference had risen slightly. The credit crunch then drove Treasury Bills down to nil yield but credit card rates climbed, and at May 2021, borrowers were paying 16% above Treasury bill rates.