

## A short course on the history of money

Written by Eric Walberg Эрик Вальберг/ Уолберг □□□□□ □□□□

Sunday, 23 September 2018 07:57

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**Banks are behind our boom-and-bust economy, creating money in the form of loans (mostly to industry, but also mortgages), conducting our industrial policy behind our backs. □ Why? Are they really so omniscient, so capable of steering us into a bright future? Shouldn't they have public policy shaping their lending? Isn't charging interest on money they create a scam? Just rubbing salt in the wound? Stealing based on their original theft from the public?**

**C.D. Douglas saw through the scam. But then so did simple colonists in British North America, far from London, with no gold handy for trading. Just as isolated groups with different native languages (e.g., slaves, POWs), develop a pigeon language to communicate and survive, colonists were forced by circumstance to issue money to 'communicate' and survive.**

**What is money? Yes, a measure of value, means of exchange, and store of value. Money can be created in many ways. Land speculation/ smuggling uses goods as collateral for action. Voila, money.**

**Volunteers use enthusiasm as currency to motivate action. Anything that motivates people to act does the real task of money. Coinage and paper bills are just the simplest form, the lowest common denominator, the most liquid, physical manifestation. Gold is, by definition, the most physically beautiful, precious, but lethal at the same time.**

**This liquid money originally was the prerogative of the monarch to create (e.g., Swedish krone, the queen on the Canadian dollar), famously based on gold for millennia. Yes,**

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**there were usurers, mostly the outcast Jews, who did the Christian's dirty work, and charged for the service (they hoarded and kept secure the gold, a dangerous business). And the boom-bust cycles then were devastating, though most economic activity didn't even use money, being based on feudal obligations and barter. Most peasants never touched a coin, and the vagaries of the business cycles didn't filter down to the (subsistence) fields of grain.**

**This changed with the rise of capitalism, the monetization of life, and the need for more money to allow industrial growth on a massive scale. There was never enough gold. When it was discovered in the 'new world' and the hordes descending on the unwitting natives to steal it (mining gold is especially devastating to the environment), it helped for a while, but then deflation was always looming, 'necessary' to allow prices to fall on the constantly increasing number of goods, in line with the stagnating production of new gold.**

**A truly ridiculous way to regulate human affairs, and by the 18th century, the bankers convinced monarchs to let them create money through bank loans, using the clever trick of 'fractional reserves', where the government can produce and sell to the banks coins and paper bills, and the goldsmiths/ bankers would use them and their own gold as reserves, allowing them to lend 9 times as much (where the reserve ratio is 10%). The sleight of hand was overlooked -- for every dollar in reserves, the bankers 'earned' 9 dollars in bank assets. Abracadabra. Magic. Marx called this fetishism, but hey, if everyone accepts it, it's no longer a perversion.**

**Later, this reserve requirement was left behind. Now banks create 97% of our money supply, all by loaning (nonexistent) money to us, either as overdrafts, mortgages, or industrial investment. In Britain, the ratio of debt-free money creation to debt-created money went from 21% debt-free in 1963 to 3.6% in 1997.\* This happened everywhere, as all countries accepted the post-WWII financial order imposed by the US and allies.**

**And, of course, embraced by banks. As Mayer Rothschild (1744–1812) famously quipped, "Give me control of a nation's money and I care not who makes the laws." Bankers control who gets their 'funny money' (friends of course in the first place), shaping the economy and the political system in the process. This is why they are intuitively so**

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**despised by the common people, and why they are so fawned over by politicians, who need their approval and who are sometimes bankers themselves.**

### **Homo hamsterus**

**If that's not bad enough, this system of creating money is fatally flawed structurally, as it demands the entire system be in debt at all times, just to keep the flow of dollars going, to buy all the new 'goods' being busily produced (and improved and discarded, etc). It's the next loan that provides dollars to pay for the products being produced as a result of the previous loan. Like the roadrunner, we must run faster just to keep in the same place.**

**The loan pays for the steel, cement, wages to produce the factory and widgets, but then where's the money to buy those new widgets?\*\*\***

**Because the government can't create money itself (not true, but we are led to believe that governments are not to be trusted with something so important as money creation), it too must borrow, especially when unemployment increases, which is always a problem given the permanent dearth of purchasing power.**

### **Imperium hamsterus**

**This is truly a vicious circle, imperium hamsterus, as all nations (now all nations except China, North Korea, Cuba and Iran) know only too well. Britain's national debt increased almost 100 times from 1983--96, from 8.2b pounds to 788b.**

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**Despite tut-tutting about the national debt, it is essential when your money is created by debt and you are constantly in danger of falling purchasing power. The banks might denounce government profligacy, but they love it and their interest on government bonds, adding both to their assets. Truly a scam. Imperium banksterus.**

**Marx didn't reflect on the colonials' experiments in money creation and the ensuing battle of wills between the Bank of England, the Queen (the two officially accepted money creators) and small producers, farmers, a battle that dominated politics in 19th century America. But by the time he got to Kapital vol. iii (distribution), he identified the underlying problem as shown most clearly in the stock market.**

**Marx called the stock market "fictitious capital", which also applied to bank-created money. The □ stock market is "the market for fictitious capital, for circulation of property rights, a claim on future surplus. Profit made purely from trading in a variety of financial claims existing only on paper. An extreme form of fetishism of commodities, made by using borrowed capital to engage in speculative trade, not backed by any tangible asset."**

**[Apart from an aside](#) in Value, Price and Profit he didn't talk about Basic Income or the idea of government creation of money, only because he assumed bourgeois governments were unable to transcend the limitations imposed on them by capital. How a socialist government would end fictitious capital and govern the economy rationally was only a dream in the 1870s. But he saw through the subterfuge.**

**The truth has been out there in the open since the colonists invaded Turtle Island and saw sophisticated cultures without any money at all. The colonists just went ahead and created their own means of exchange and prospered, perhaps inspired by those natives. Until King George III laid down the law 1773. Which led to 1776 □ (yes, the bankers (via King George) caused the revolution) and the 'continental', the money that fueled the revolution, until the world bankers caught up with events and brought the revolution under control.**

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**Thomas Jefferson regretted agreeing to Hamilton's Bank of the United States and debt-created money, and when he became president, he didn't renew the charter. "The banking institutions having the issuing power of money are more dangerous to liberty than standing armies."\*\*\***

**Andrew Jackson canceled the 2nd Bank of America in 1832, but he was no Jefferson. He thought paying off the national debt was the magic wand, but we know (see above) that is nonsense. His hair-brain scheme to give the bank's funds to his 'pet' local banks led to another crisis in 1837. The bankers were able to triumph.**

**The National Bank Act of 1863 provided for the federal charter and supervision of a system of banks known as national banks; they were to circulate a stable, uniform national currency secured by federal bonds deposited by each bank with the comptroller of the currency (often called the national banking administrator).**

**The campaign against debt-based money culminated in several epic marches on Washington, notably Coxey's Army (petition in boots) and Hogan's Army' in 1894. Hogan's Army began marching in Montana, commandeering a train, but this populism was getting out of hand (the country was in the depths of depression) and the US Army ambushed the train, killing one, sentencing Hogan to prison, and sending the protesters packing.\*\*\*\***

**The 1863 act did not prohibit state banks from issuing their own currency, but Congress did impose a 10% tax on state banknotes that effectively eliminated such a rival currency. The bankers were back in control and the world banking elite got their fingers in the pie with the formation of the Federal Reserve System in 1913.**

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**In 1932, 20,000 starving unemployed WWI vets marched for the Bonus Bill drafted by Congressman Wright Patman demanding vets be given the present value of their bonuses, issued in 1924 and not paid.^ Hoover sent in the army under MacArthur, Eisenhower, and Patton to route them, setting their Hoovervilles ablaze, killing three and injuring a thousand.**

**My favourite quote on the magic of money is by Lord Josiah Stamp former director Bank of England: Bankers own the earth; take it away from them, but leave them with the power to create credit, and with the stroke of a pen they will create enough money to buy it back again... We are slaves of the bankers.^^**

**Time after time, economic crisis after economic crisis, the bankers keep winning. The Great Depression was overcome in a horrendous war, and bankers' sins were forgotten, as the post-war boom made it seem that the system was ok after all. Why rock the boat? Maybe the bankers are all right after all? (Besides, everyone wants a place on the board of some fat-cat corporation or bank after a stint in government.)**

**xxx**

**\*Michael Rowbotham, The Grip of Death: a study of modern money, debt slavery and destructive economics, Jon Carpenter, 1998.**

**\*\*We teach in Eco101 about the multiplier effect of money and the velocity of money circulation, but never about the way inequality slows this, keeping money out of hands eager to spend it, nor do we teach that the only acceptable way to increase the money supply is through issuing more loans, to produce ever new widgets, etc, etc.**

**\*\*\*(Retirement Papers) But the pressure continued.**

**\*\*\*\*The legendary 'Hogan's heroes' inspired a 1960s American television sitcom set in a**

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**German prisoner of war camp during World War II, Hogan being the popular leader running a Special Operations group from the camp, where the prisoners had their own currency and activities, flouting the establishment.**

**^I.,e., calling for the government to issue some much needed money for them. They were finally paid in 1945, when it didn't matter anymore.**

**^^Address in Central Hall Westminster 1937.**

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