Battle for Control of the Monetary System

The Public Good vs. Private Banks

Let us control the money of a nation, and we care not who makes its laws" –Maxim of the House of Rothschilds

by Jim Tarbell

Money's invention 2300 years ago provided humans with a powerful tool to carry on an economic system. But maximum benefit of that tool depends on the monetary system serving the common good. We all rely on a well-functioning monetary supply for our daily bread. For the first two thousand years, maximum benefit from the monetary system was ensured by keeping the money supply under public control.

As capitalism developed, and wealthy merchants increasingly exercised the private power that money gave them, a pitched public vs. private battle grew over control of monetary systems. Amsterdam, with its flourishing markets, became the center for this confrontation, and the city leaders took steps in 1609 to stop the private manipulation of the money supply for private benefit. They established the publicly controlled Bank of Amsterdam that reinstated a reliable monetary system. The battle then shifted to England where financial speculators took control of British money when they established the privately-owned Bank of England at the end of the 1600s.

The ever-more powerful British merchant class that had taken over the Bank of England spread their political power to the colonies. Intent on forcing the American colonists to consume British manufactures, they hampered trade among the colonists by restricting the circulation of money. In order to work around London's control, several colonial governments issued their own money, which catalyzed economic growth in the colonies.

The British responded by passing the Currency Act of 1764 outlawing colonial currencies in America. Colonial outrage at this prohibition led Benjamin Franklin to point out that the biggest cause of the American Revolution was "the prohibition of making paper money."

After the Revolution, popular sentiment favored publicly-controlled money. But once Alexander Hamilton, the scion of wealthy Hudson Valley estate owners and friend of British banks in New York, became Washington's Secretary of the Treasury, he turned the money supply over to private control by establishing the speculator-run Bank of the United States

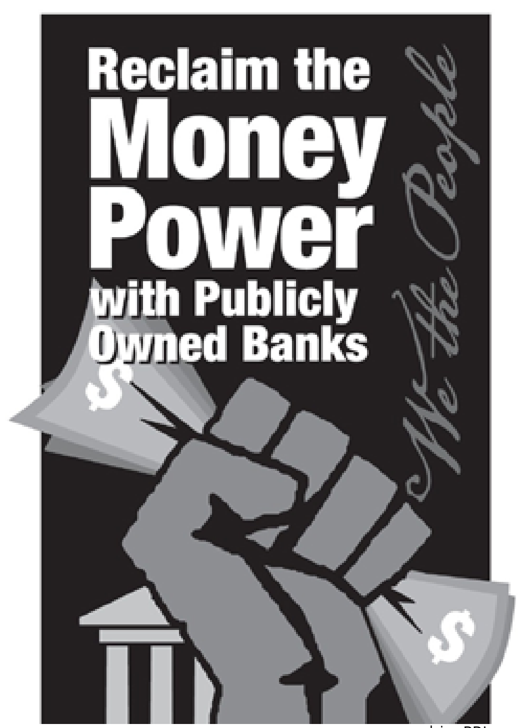
Public confidence in both Hamilton and the Bank quickly deteriorated after many transgressions, which started a struggle over the monetary system that lasted 40 years. President Jackson's veto of the Second Bank of the United States ended that particular struggle in 1832, but Jackson failed to create a public authority over the monetary system and the American money supply devolved into a chaotic system of some 1600 state banks issuing 7000 different currencies. The failures of this system destroyed the public confidence in the banking system so much that when California became a state in 1849 banks were not even allowed to exist there.

Facing this anarchic system and the need to finance the Civil War, the Lincoln administration started printing "greenbacks" as a currency based upon the good will of the government. For years it was a highly trusted, popular success, instigating the rise of the Greenback Party whose 1884 Presidential candidate General George Butler made the logical declaration that currency should be "uniform, sound, cheap, stable, and elastic," while warning that returning the money supply to private hands would lead to deflation and devastation. Even though Greenbackers and their Populist allies represented over half the populace, the political power of the robber barons in the latter half of the 1800s managed to extinguish the Greenback currency and base the US money supply on gold, leading to rampant deflation and devastation of the farm sector.

For the good of us all, the time has come to reinstate public control of the monetary system.

Private power has controlled the US monetary system ever since, creating continual bouts of recession and depression, culminating in the 2008 financial fiasco when the evaporation of trust between privately controlled banks destroyed the financial system and brought ruin to millions of American as they lost their jobs and then their houses.

For the good of us all, the time has come to reinstate public control of the monetary system. The movement to create public banks is a valid first step in that effort. The private money industry that supplies the vast percentage of funds political elites depend on to stay in office will fight this effort hard. But it is a job that must be done to stop the continual fleecing of the American people.



graphic: PBI