Banking – Broken Fragments

by Irwan Ambak

Contact

+60102662778

irwanambak@gmail.com

Malaysia

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ABSTRACT

From the annals of transactional history, banking as a feature of civilizations appears relatively recent in the timeline of trade. Initially founded as a communal service provided to ease the processes of monetary accumulation and exchange enabling commerce to flourish, banks have transformed from its servile roots as trustees of assets for productive redeployment into megalith monsters of fictional value creation and debt distribution. The evolution of communities from chaotic bartering to standardized currencies allowed for the establishment of these instructional intermediaries now known as banks, operating historically from secure vaults of goldsmiths up to present day borderless multinationals with their digital ledgers. This has undoubtedly led to brisk advances in burgeoning businesses and correspondingly the treasuries of taxing authorities that grew in financial complexity. All of which gave rise to an increasingly strategic and pervasive role of the then informal 'banking industry', that saw the governments of the day move to rein in the reach of this proliferating power through formalizing regulations and role restrictions – thus arriving to where we are today with an apparently all dominating international banking infrastructure as the engines of an interconnected world.

At its core functioning as a store of people's wealth and the corresponding issuance of ownership receipts that were conveniently exchanged in marketplace trades, the birth of primitive 'banking' came to be. These receipts were the precursor of paper money, but belying its inception as genuine tokens representing actual commodities, the path was paved for the authenticity of such representation to be eventually ensnared by the corrupt practice of issuing more notes than there were actual assets backed by the claim. This was in fact the underlying

rationale behind a subsequently mandated 'fractional reserve' banking concept – the recognition of 'money' illegitimately created in excess of what the banks actually have available; relegating what essentially began as a fraudulent practice to a fait accompli. Any moral resistance from reluctant authorities were connivingly mitigated once they were imbued with the benefits out of legalizing this racket, primarily through the accessibility of increased borrowings to finance their indulgences. Rather than consigning the practice to ridicule, conversely, this new dictum of deception emboldened and entrenched a breed of banking elites from Medici to Rothschild, and more recently from Morgan to Rockefeller; forming the foundations of mutually compliant control over politics and finance.

Through clandestine manoeuvres and opaque apportionments, the increasingly sophisticated collusion of bankers and bureaucrats continue to leverage an ever growing money base to exert political and financial might throughout empires and kingdoms, democracies and dictatorships. One supported the other, but whilst politically warring sides pitted explicitly one against another ideologically or territorially, there was not always clarity of allegiance by the financiers, who hedged their support to ensure that whichever side emerged as victor or loser, their stakes were assured of continued profitability. The complicity of this emerging banking class overshadowing the affairs and economies of countries and continents continued unabated, with an ever increasing interference in and integration with geopolitical developments across the world – at times causing alarm and to much consternation of the political class. In many instances the roles intertwined, yet independent minded leaders have consistently failed to, and continuously falter in, subduing the interests of the bankers. Attempts for autonomy against the currency controllers typically end in disastrous outcomes personally or nationally – as demonstrated by experiments (attempted or short-lived) of notables such as Abraham Lincoln and John F. Kennedy, along with various examples of past and present countries crushed in currency crisis (such as in the German Papiermark, Zimbabwean dollar, Venezuelan bolívares fuertes, etc.).

As the importance of the banking system grew in a symbiotic mutual need with the economies of governments to move about all manner of funds in sums small and large to finance the cycle of development for nations new and old, international agreements and institutions were negotiated to oversee functional global monetary exchanges – cue the Bank for International Settlements, the Bretton Woods Agreement, the World Bank, the International Monetary Fund, et al. The establishment of an international monetary order is not without its share of challenges, and true to its cultish nature, corruption once again rears its head – this time culminating in the dispensation of any tangible backing for what was once real wealth representational currencies. The 'Nixon Shock' brought about a new era of international financial impact in modern times, and central banks from the Bank of England, the Federal Reserve, and later, the European Central Bank, relished in their new found role as the bastion of fiat specie circulation, with no material value attached to currencies churned out other than the implied trust of their respective 'legal tenders', or the imperative threat of exclusion from controlled currency systems – with any well-intentioned attempts to halt this chokehold consigned to correctional actions. Of course, not all of this new unbacked currencies were created equal. Though the US dollar once reigned supreme in a global economy fueled by 'petrodollars', the waning might of a country that has reached the threshold of sanity with its seemingly unlimited capacity to mind-numbingly manufacture money (an attempt that allowed it to achieve that semblance of supremacy) now faces the reality of reason from competing emerging economic blocs and countries wrestling for financial independence that are calling America's bluff for superiority in the currency war.

However, the swift ascent of this insidious banking cabal, now entrenched in the form from which we have commonly come to know today as the backbone of a seemingly infallible international financial fraternity, has thus far escaped the understanding and rightful rage of many among the common man—the mere mortals whose livelihoods are most ravaged by forces unchecked by neither local legislators nor elected governments—left unable to defend themselves from the iron fist of an invisible fiscal farce. Beguiled by the banality of eking a daily living to service numerous credits, loans, mortgages and taxation from birth to death, the modern man is collectively and diminutively suppressed to the base of a pyramid, shouldering the burdens of an ascendingly vulturous elite, the obscure apex of bankers which is beyond the sight and comprehension of most. How is it that the giddying heights of these global institutions which started from humble beginnings have transformed into power-hungry brokers behind the scenes? Can the ones cajoling the economies of countries into recessions, depressions and hyper-inflations continue the sacrilegious act of community disintegration through a combination of unbridled currency-controlled capitalism (or even communism) and unchecked colonialism (in its many forms, by any other name) – all backed by, of course, banks? Are these supra-national network of all-powerful neo fascist enumerated with indescribable bank balances at their disposal really as invincible as they are believed to be? In reality, the truth behind the financiers' facade of a hegemonic global shadow government, the state of the financial industry is such that it is teetering on a self-inflicted edge of a traumatic reset – an inherent result of a system designed to mathematically fail. This penultimate recourse to ensure its very survival of continued manipulation being a plan to rebirth an ever more tyrannical monetary imposition of a new banking order upon humanity is destined to deliver a global disorderly destruction.

This paper—in its opening first chapter figuring out the facets of the facade—seeks to solve the illusion of the elusive origins of this silhouetted sorority and deconstruct the deviously undecipherable deceit of the bullying behemoths behind today's monetary madness (a summarized history of which also captures the core evolution of modern currencies and the institutions controlling it).

Furthermore, through the analysis of financially-related historical events as the storyline of the proceeding second chapter, a portrait is painted for what has plainly become of this pantheon at the precipice of prostration: the broken fragments of the banking fraternity.

Ultimately, the third and ending chapter posits the future of finance based on the trajectory of these international institutions of intrigue – detailing the potential demography post-currency collapse; how the best banks will evolve into all powerful political controllers; which countries will be able to resist recolonization continuing as independent states based on their current contingencies; and most importantly, when all systems will eventually revert to the sanguine sanity of a civilizational constant.

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Humpty Dumpty sat on a wall,

Humpty Dumpty had a great fall.

All the king's horses and all the king's men

Couldn't put Humpty together again.

(Ode to an odious oligarch?*)

BIRTH OF BANKS

A Brief History

For a look into the history of the banking cabal as how it intertwines between finance and politics, we initially draw the attention of the reader to excerpts of two earlier banking dynasties of note with significant histories. Whilst the first of the two came and went in about two centuries of existence, the second banking dynasty discussed remains in existence till today, a resilience attributed to an important development in banking practices that will be explained below. Next, we will review more recent and current banking-related entities that have today entrenched themselves as firmly rooted establishments in the modern financial landscape assuming the corresponding role of oligarchs in a shadowy political control structure of the world at large.

Earlier Dynasties

The Medici

In the period circa the fourteenth and fifteenth century, the very notable Medici family began banking operations in Florence. At such time, the Medici bank was capitalized with 10,000 gold coins (called 'florins') and the operations and subsequent expansion of the bank into various branches throughout the region was aided in part by the growing businesses of the Medici family, acquiring an important client in the Catholic Church, and strategic partners with other local clienteles in the areas where they established bank branches.

From its initial capital of 10,000 florins, the bank grew its business successfully, and it was reported that in 1429, the founder's fortune upon his death was about 180,000 florins – in comparison with an approximately 100,000 florins of deposits from the Papal Curia (the administrative unit of the Holy See, which assists the Pope in governing the Catholic Church) at the Roman branch; a comparison that signifies the extent of financial wealth the Medici family was wielding from its banking operations.

With such amounts of wealth accumulated, generational replacements of the banking empire from the Medici family began exhibiting greater political influence and a propensity to patronize local arts and industries that extended their power base. A negative aspect of this diversification in focus is the decrease in operational stringency, leading to mismanagement and fraud in its various branches – nothing spectacular in times of prosperity, but of significant factor in contributing towards its decline in later years. More importantly, for the purpose of analysis in relation to this paper, we see how the increasing influence of the Medici family in politics also demonstrated historically, that territorial rule and banking are often inter-related especially in the field of financing trade and conflicts. For example, apart from Medici bank's reputation as bankers to the Pope (and by extension Italy-wide authorities from the church), its other branches are also financing the activities of rulers and nobilities in England and France. However, the proximity to people of power is both an advantage and a burden, as dealing with such high-ranking authorities meant that the bank had to at times succumb to questionable financial deals that were certain to turn a loss or end up in delinquency – some of which were not inseparable from corrupt or simply careless conduct of the clients themselves; and where which a refusal from such arrangements would otherwise cause jeopardy to the overall business position and reach of the bank and its related business empire.An infamous obligation happened in London – the Medici bank branch had no choice but to extend financial facilities to the King, to secure trading permissions necessary for the survival of its textile business. Inevitably, deals with clients of influence that went sour were among the reason why the Medici bank began experiencing a decline in their business. A side importance to note is that, due to the large extent of the Medici bank's influence in territories where they operate, any interruptions or downturns in Medici's banks and businesses (mainly due to deal failures or disputes with authoritative figures; or significant abuse, fraud and mismanagement in operations) indirectly resulted in recessions or general economic downturn in areas affected.

Another surprising factor responsible for the reversal of the Medici bank's fortune was a shift in monetary trends at that time, from gold coinage to silver coinage. In particular, the preferential change and switch in output/supply quantities from gold to silver meant that the Medici bank with their inflexible feature of quality, non-debased gold florins were at the losing end of the metallic transition. Note that the florin factor is an important distinction to observe in comparison to a later discussion of another renowned banking empire discussed below. For the Medici family, notwithstanding their ominous reach of banking supremacy at its time, their conduct differs from modern banking in that their operations were significantly based on the 'real' exchange of wealth (in the form of actual florin gold coins) in business deals, apart from 'legitimate' interest-based benefits accrued from loans disbursed. The leveraging of such 'hard' deposits allowed for sudden setbacks to occur, especially when loans turn bad – something which was not in short supply towards the end of their tenure. The next banking empire discussed below divests away from this monetary mainstay, and the reader will discover how this change resulted in more permanence for future bankers.

Apart from specific causes, a larger systemic slowdown in economic conditions following wars affecting the territories they were operating in also contributed towards closure of bank branches throughout the region. Ultimately, incompetent distractions and a declining deftness in handling businesses in challenging times by successive inheritors of the Medici empire led towards forcible fraudulence of managed funds and eventually its insolvency and seizure of assets by the authorities. And thus, in 1499, the celebrated legacy of what was identified as one of the earliest banking dynasty came to an ignominious defunctory end.

The Rothschilds

Fast forward to the eighteenth and nineteenth century, the world witnessed the creation and domination of another banking dynasty, namely the House of Rothschild. From a modest business family background which included a role as money changer to the House of Hesse (a European dynasty at that time), the Rothschild family banking business can be traced back to the finance house created by the progenitor born in Frankfurt am Main, Germany, and subsequently the expansion of the Rothschild business dynasty across financial centres of Europe through the patriarch’s sons. Of note is the London-based establishment of a banking outfit (with important historical participation in political developments discussed below), which has today evolved and consolidated into the global Rothschild & Co financial services empire (henceforth, the family and business entities referred to as just ‘Rothschild’ or ‘the Rothschilds’ in short).

A distinctive banking advantage Rothschild had as compared to the medieval practices of the Medici in traditional banking—a direct factor in the resilience of the Rothschilds—was the development of innovative banking instruments and complex financing arrangements offered to its client base, which by then included amongst them (in the earlier days), imperial seats throughout the Holy Roman Empire, governments of the British, French, Prussia and others. The large financial undertakings performed necessitated the expansion beyond banking in purely bullion/coinage or legal tenders representing monies (which they were a leading player nevertheless, and remained a mainstay in their banking business) – the Rothschilds were a leader in dealing with bonds for issuing government loans. Disbursements of various banking devices were facilitated by a sophisticated network of agents, couriers and shippers (dealing in both actual metallic assets and certificate-based contracts). This dispersed and efficient infrastructure, coupled with the financial contracts it could craft across its proliferating professional presence, was the early shoots of technology-based advancements that it successfully leveraged on to provide a competitive edge to their banking services offered. This leveraging factor both played to the benefit of Rothschild at its prime (more on this below) as well as being exemplified/exploited in other contemporary outfits, and, functions as a key survival factor for entities in the financial industry into the next era (which will be discussed in the final chapter).

One particularly oft repeated example of the advantageous banking expedience offered by Rothschild, was in its role in the Napoleonic Wars and how it was able to provide funds to the armies of the Duke of Wellington in Portugal and Spain, plus, profit the Rothschilds greatly. The profiting was evidenced in this historical case by the popular account of how Rothschild made a fortune from their 'insider' information derived from the Battle of Waterloo, by placing a large calculated investment in the government bond markets to side with the then exclusively-known victor (it was reported they had advanced knowledge a full day ahead of official government messengers that alerted the general public), hence subsequently profiting from the transaction at an enormous scale matching their ample liquidity and thus their ability in funding their huge positions in the market. Consequently and more interestingly in addition to purely financial benefits, through the family's business empire-organized network of logistics and communications throughout Europe, the Rothschilds were able to obtain valuable political and financial information ahead of its peers as demonstrated in the above instance, positioning it as an invaluable ally to governments of the day in addition to giving it an unmatched advantage in financial markets – thus cementing its influence in shaping the world of politics and providing a cycle of increasing profitability through involvement in related trades.

A culture of closed family held business holdings and elevation of members of the Rothschilds into families of royal nobilities further brought financial superiority to their banking empire, and its venture soon traversed across continents into as far Africa and the Americas in the nineteenth century. Geopolitical influence was seen in its involvement in projects such as the Suez Canal in Egypt, the independence of Brazil from Portugal, funding Cecil Rhodes for the creation of the African colony of Rhodesia, and even arranging for Japan's war bonds to fund the Russo-Japanese war (more on funding conflicts in the next chapter). By the turn of the century in 1900s, the British Chancellor of the Exchequer Lloyd George even went so far as to claim that Lord Nathan Rothschild (a prominent Rothschild based in London) was the most powerful man in Britain – on record due to its no small feat of financial strength in the City of London such that in 1825–26, Rothschild was able to supply enough coin to the Bank of England to enable it to avert a liquidity crisis, and probably made more visible in terms of real estate purchases of large swathes of properties in Mayfair, London.

Although the Rothschilds did not explicitly exhibit any significant or substantial forays into the American banking sector and industries, it was nevertheless instrumental in facilitating and participating in many deals both private and public which directly or indirectly affected the interests of their counterparts in the United States of America. Nevertheless, with their continued European-centric base of wealth, the Rothschilds demonstrated how control of a banking empire is closely associated with the ventures of world governments. Though relatively lower profiled in recent memory, the Rothschilds today remain influential in the realm of finance and politics internationally.

Entrenched Establishments

We now enter into an age where the banking industry has evolved and consolidated into a handful of large international establishments. Some of these institutions are named in the non-exhaustive list below, which includes both from the public and private sector, and have been identified with notable importance in relation to this paper's central tenet of political influence by financial interests in world governments. Where relevant, a short historical account of important events related to such institutions will be provided. An interesting observation is that the specified entities below include a larger number of American-based organizations. This is due to a shift in the global financial center of importance from Europe to The United States of America, and the rationale for this will be covered in the proceeding sub-chapter that deals with the current state of world currencies. Exceptional non-banking entities are also listed for their influence wrought upon the financial industry and sector. This topic mainly excludes discussions on the entities' involvement in banking-related crisis described in the next chapter.

(For the purposes of conciseness, the entities will be listed using their most recent names. Many of these entities have transformed through mergers and acquisitions throughout their history since creation. Activities listed will include by those such merged or acquired entities under the contemporary banner entity listed below. Entries are randomly listed in no particular order.)

Bank of England

(The scope of the Bank of England in the role of currency will be discussed in the later proceeding sub-chapter. This topic focuses on its private creation and influence on the English Government at that time.)

It is of interest to note that the formation of the Bank of England in 1694 (then known as "Governor and Company of the Bank of England") was backed by private subscription (lenders that effectively owned the bank) that enabled it to initially loan £1,200,000 (at 8% p.a.) to the government. The bank, a limited-liability corporation, was given exclusive charter including banking privileges, control over the government's balances, and issuance of banknotes. The lenders who provided the government with cash (bullion) issued notes against the government bonds, which can be lent again.

Throughout its privately-owned tenure, the bank was involved in various landmark and novel banking activities which included:

- Realizing the concept of the 'National Debt'.
- Became the sole issuer of banknotes against gold reserves in England.
- Acted as a 'lender of last resort' (the ultimate banker to the banks).
- Continued to manage gold and foreign reserves (transferred to the government's Treasury in 1931).
- Towards the last days of it being privately held, moved away from being a commercial bank towards becoming a central bank.

It was only in 1946 that the bank was nationalized and thus almost three centuries of private interests charting the course of Great Britain's financial direction came to an end.

BNY Mellon

The history of BNY Mellon dates back to the establishment of the Bank of New York in 1784 by non other than one of the American Founding Father, Alexander Hamilton. Hamilton created the bank before his term in public office began as the 1st United States Secretary of the

Treasury, which goes to show that figures in politics and finance are inseparable (although he was already in politics prior to that position). The Bank of New York was the first corporate stock to be traded on the New York Stock Exchange in 1792. It merged with Mellon Financial Corporation in 2007.

Mellon Financial Corporation was founded by Thomas Mellon and his sons Andrew W. Mellon and Richard B. Mellon as T. Mellon & Sons' Bank in 1869 and during its tenure many American conglomerates were born and nurtured by it, including the Rockefeller-owned Standard Oil. The Pittsburgh-headquartered bank prevailed in the Panic of 1873—a "Panic" is an economic depression initiated by banking panics (a number bank runs occur, where unsustainable cash withdrawals from accounts happen); in which half of Pittsburgh's ninety organized banks and twelve private banks failed—and by the end of the century went on to become the largest banking institution in the country outside of New York. Andrew later became the longest serving US Treasury Secretary in history (after resigning his banker's post), another significant political maneuver in the bank's history of its owners.

Following the merger between the Bank of New York and Mellon Financial Corporation in 2007, The Bank of New York Mellon (BNY Mellon) became the world's largest firm in securities services and is one of the world's top ten in asset management.

JPMorgan Chase & Co.

Another mega merged banking entity—most recently being the result of a merger between Chase Manhattan Corporation and J.P. Morgan & Co.—the history of JPMorgan Chase & Co. ('JPMorgan Chase' in short) can be traced back to the establishment of the Manhattan Company on September 1, 1799 by Aaron Burr Jr. Unsurprisingly for figures related to the banking fraternity, Aaron Burr was an American politician – eventually becoming the third Vice President of the United States from 1801, serving during President Thomas Jefferson's first term. Although he founded the company (after his earlier tenures in public office as a New York Senator and Attorney General) with the ostensible purpose of providing clean water to Lower Manhattan, the company was allowed to provide banking services in its charter (granted by the state). Interestingly at a time when the New York banking industry was monopolized by non other than Alexander Hamilton's Bank of New York (and also another, the First Bank of the United States), Hamilton was mortally wounded by a duel with Aaron Burr in 1804 for political reasons. The Manhattan Company merged with Chase National Bank in 1955 to create The Chase Manhattan Bank.

The Chase National Bank which was founded in 1877 by a banker rose to become America (and the world's) largest bank after a string of acquisitions, most notably upon the acquisition of the Equitable Trust Company of New York in 1930 (largest stockholder was John D. Rockefeller, Jr. – a prominent member of the Rockefeller family). As The Chase Manhattan Bank, following a merger—which was actually structured as an acquisition by (the Bank of) the Manhattan Company of Chase National due to the charter clauses of the Manhattan

Company—with the Manhattan Company, it eventually replaced the 1799 state charter for a modern one – eventually being positioned under a bank holding company, the Chase Manhattan Corporation in 1969, during the leadership of David Rockefeller who became president of Chase Manhattan Bank in 1960 (currently the oldest living member & patriarch of the Rockefeller family). Although the Chase Manhattan Bank was purchased by the Chemical Bank of New York in 1996, its name was retained in the merged entity. The highlight of this period of JPMorgan Chase was the involvement of the Rockefeller family in the bank, the significance of the family which will be detailed below.

On the side of J.P. Morgan & Co., the ‘House of Morgan’ has its roots from the reorganization by John Pierpont Morgan in 1895 of what became J.P. Morgan and Company (from various names dating back to its first establishment in 1871). It became the predecessor of three of the largest banking institutions globally – JPMorgan Chase, Morgan Stanley and (Morgan, Grenfell & Co. which has been acquired by) Deutsche Bank. The involvement at the personal and professional level of the House of Morgan in various politically significant development throughout the twentieth century, includes:

- Selling gold for bonds to the US Treasury in the Panic of 1893
- Creating the first billion-dollar company in the world, U.S. Steel, in 1901
- Managing the Panic of 1907 that directly led to the establishment of the Federal Reserve System in 1913
- Underwriting bonds and investing in governments and industries of World War I

Through a series of regulatory mandated reorganizations (Glass–Steagall Act which resulted from the Stock Market Crash of 1929 signalling the beginning of the Great Depression), J.P. Morgan and Company split into commercial banking (J.P. Morgan bank) and investment banking (Morgan Stanley), where the J.P. Morgan bank (for a while as Morgan Guaranty Trust) eventually re-established the J.P. Morgan & Co. banking brand through the J.P. Morgan & Co. holding company and later merged with Chase Manhattan Corporation to form JPMorgan Chase. Prior to its acquisition by Deutsche Bank in 1990, the House of Morgan had also relinquished its shareholding in the UK-based Morgan, Grenfell & Co. by the early 80s; but not before a long history of transatlantic business deals especially in the post-war financial reconstruction of Europe and hitting a high as the largest foreign-based manager of international assets for US pension funds in 1980.

In addition to the primary mergers outlined above, JPMorgan Chase also notably acquired Bank One (Bank One Corporation, in 2004), Bear Sterns (The Bear Stearns Companies, Inc., in 2008) and WaMu (Washington Mutual, Inc., in 2008).

Citigroup

Citigroup Inc. is another entity, through which from mergers and acquisitions has emerged into the third largest bank in the US today. From its historical establishment of The City Bank of New York founded in 1812, Samuel Osgood (a US politician and the 1st United States Postmaster General) was elected the bank’s first president – again, displaying the inseparable world of politics and finance, a relationship continuing well throughout the record of Citigroup.

After the Panic of 1937 that allowed prominent businessman John Jacob Astor to acquire the bank, his protégé Moses Taylor eventually took charge & ownership, and thus began the bank's multifarious involvement via Taylor's extensive business empire in America's development traversing the gamut from railroads, transatlantic telegraphic lines to gas companies, as well as assisting the Union in financing the Civil War.

The bank's policies in the 1920s which facilitated its rapidly expanding business dealings worldwide were identified as one of the factors contributing to the Stock Market Crash of 1929 event triggering the Great Depression. Not to be outdone by other banking outfits, its history also included James Stillman Rockefeller (a direct descendant of the Rockefeller family) as president and then chairman in 1952 and 1959 respectively – at a time when his second cousin, David Rockefeller, became president of the then rival Chase Manhattan Bank. The City Bank of New York merged with the First National Bank in 1955, changing its name to The First National City Bank of New York, then shortened to First National City Bank in 1962. The bank was also responsible for pioneering services for one of the two largest credit card issuers today—popularly known as the "Everything Card" (which later became part of MasterCard), which was a response to the "BankAmericard" (today's Visa card)—in 1967. In 1976, the First National City Bank (and its holding company First National City Corporation) was renamed Citibank, N.A. (and Citicorp, respectively).

Citigroup was eventually formed from one of the world's largest mergers in history by combining Citicorp and financial conglomerate Travelers Group in 1998. Travelers Group, an amalgamation of various financial entities dating back from 1977 (then as Primerica, which was later merged into Travelers, Inc.), counts the notorious Salomon Smith Barney (name abandoned in 2003 due to various financial scandals) amongst its various business units. The Travelers insurance business was subsequently spun out of Citigroup in 2002 following dismal financial performance post September 11, 2001 attacks on the World Trade Center.

Goldman Sachs

The Goldman Sachs Group, Inc. was founded in 1869 and is an American multinational company that engages in global banking businesses. Although a relatively new entrant in the banking circle, it quickly rose in the ranks but not without suffering hiccups along the way such as failing its short-lived Goldman Sachs Trading Corp. fund (launched 1928) during the Stock Market Crash of 1929. Its diversification into highly profitable investment banking activities (which in later years created internal competitiveness between its investment banking and securities trading arms) made Goldman Sachs a reputable name through its lead involvement in many top value IPOs beginning with Sears, Roebuck and Company and then other notables such as F. W. Woolworth, Ford Motor Company, Microsoft, Yahoo!, NTT DoCoMo and more recently Twitter. Recent retail banking forays include Goldman Sachs' acquisition of General Electric Co.'s GE Capital Bank online deposit platform in 2015 and the consequent launch of an online-only savings bank in 2016, GS Bank.

Through various high profile local and international business deals, its top employees became widely known operatives in the global financial industry, many among which went on to hold high level public offices in several administrations of the US Government (as well as other large financial institutions), leading to criticism of its controversial "revolving door" relationship with the political administration and the "Government Sachs" moniker. Of note too was its Rockefeller family connection when in 1985 it underwrote the public offering of the the largest REIT (real estate investment trust) offering in history that owned Rockefeller Center and subsequently the firm joined David Rockefeller and partners for a joint ownership of Rockefeller Center in 1994.

Wells Fargo

Although currently one of the bigger banks in the US, Wells Fargo & Company with its origins as Wells, Fargo & Company founded in 1852 to offer express (rail) and banking services to California during the period of the California Gold Rush was faced with its first crisis in the Panic of 1857 due in part to unsound speculation owing to investment fervour following the gold rush. Surviving the crisis, Wells Fargo went on to become a reputable bank and followed through with a string of mergers and acquisitions including Crocker National Corporation, First Interstate Bancorp, Norwest Corporation and Wachovia. In terms of governmental involvement, apart from its earlier express business ventures which was later taken over by the Government during World War I, Wells Fargo was not exceptionally involved politically and only notably became a recipient of government assistance in the financial crisis of 2007–2008 through $25 billion of Emergency Economic Stabilization Act funds by the US Treasury. However, it emerged in 2016 that the bank was mired in scandals ranging from fake and non-consensual customer account openings to a racketeering (overcharging) lawsuit, and intentional withholding of disclosures of its various indiscretions dating back to bad loans from the 2008 housing market crash leading up to the subprime crisis and of recent investigations to shareholders.

Rockefeller

A discussion on the topic of entrenched establishments, although foregoing various other banking entities with interesting histories in the interest of brevity, would be remiss without reviewing the spread and influence of the Rockefeller family's business empire (also denoted as the 'Rockefellers') even though it is not a strictly banking entity.

As how the prominence of the Medici family in the Medieval Period or the Rothschilds which emerged after the Renaissance to dominate the era of the Revolutionary Period and yonder manifested in Europe; the Rockefellers paralleled in their pervasive reach of the American industrial, political, and banking spheres – amassing one of the world's largest fortunes through primarily their oil business (via Standard Oil) during the late nineteenth and early twentieth centuries. In consequence of this wealth, various members of the Rockefeller family were also involved directly or indirectly in several of the banks identified above – a contributing factor to their status of being the most powerful family in the history of the US, in addition to important local political prominence through various US public offices held by many Rockefellers in their own right including state delegates and senators, governors, cabinet secretaries and even a Vice President. This has also led to connections with the most powerful of royalties, politicians, rulers and business chiefs across the world, through the business, private and social connections from various members of the Rockefeller family.

The Rockefeller flagship, Standard Oil Co. Inc. (1870-1911), was an American oil giant in the business of producing, transporting, refining and marketing of oil. Setup in 1870 in part by John D. Rockefeller as a corporation in Ohio, it became the largest oil refiner in the world of its time. Standard Oil was dominating the oil products market through horizontal and, later, vertical integration; streamlining production and logistics for lower costs. It also undercut competitors through aggressive pricing that threatened other businesses.

At the height of its controversial existence as amongst the world's largest multinational company, the United States Supreme Court ordered its breakup in 1911, ruling that it was an unlawful monopoly. Prior to that order, to illustrate the all-pervasive conglomerate controlled by a select group of owners and directors, the Standard Oil Co. of New Jersey—which emerged from a reorganization as a result of a successful suit in 1892 by the state of Ohio to compel the dissolution of the the original Standard Oil Trust—held stock in multiple other companies, which controlled other companies, which in turn controlled yet other companies.

As a founder, chairman and major shareholder, the dissolution of Standard Oil trust into smaller companies made Rockefeller even more richer, because incomes from the various separated enterprises totalled much larger than the previous sole company – continuing to present day successors such as BP, Chevron and ExxonMobil, that constitute as companies that have arguably the biggest revenues globally. Furthermore, although Rockefeller remained as Standard Oil's president but had long since retired from any management role, he retained ownership to a substantial amount of shares of the resultant companies which mostly doubled and tripled in value post-breakup, thus the dissolution had actually propelled Rockefeller's fortune to become widely considered as the wealthiest American of all time, and the richest person in modern history (his peak net worth in 1913 was estimated between $300-400 billion, inflation-adjusted for recent USD valuation).

Post breakup, among the companies were:

- Jersey Standard ("Standard Oil Co. of New Jersey"), which eventually became Exxon, and became the largest oil producer in the world.
- Socony ("Standard Oil Co. of New York"), which eventually became Mobil.
- The Standard Oil Company corporate entity continues in existence and was the operating entity for Sohio; it is now a subsidiary of BP.
- "Standard Oil of Indiana" which became Amoco after other mergers and a name change in the 1980s.
- "Standard Oil of California" which became the Chevron Corp.

All the while during the ascendency, and also after the breakup, of Standard Oil, the wealth was spread throughout members of the Rockefeller family and diversified into various other ventures in the US and across the world. Coupled with profits from other lesser but equally profitable business ventures, much of the money was redistributed and revolved into many banking entities and groups, with some of the Rockefeller family members themselves involved in such operations.

According to reports, the management of the family's vast fortune today rests with a principal holding company, Rockefeller Financial Services, that controls various generational interests. David Rockefeller Jr. is its present chairman, with the following identified arms:

- Rockefeller & Co. (endowment and money management)
- Rockefeller Trust Company (management of family trusts)
- Rockefeller Insurance Company (liability insurance for family members)
- Venrock Associates (venture capital)
- Acadia Risk Management (insurance broker for policies to the family's vast collection of art, real estate and other assets)

In terms international politics, members of the Rockefeller family (currently led by family patriarch David Rockefeller) have been involved in the establishment or funding of major international institutions such as: The Council on Foreign Relations, The Trilateral Commission, The Bilderberg Group, The Asia Society, The World Economic Forum, The League of Nations, and, The United Nations – a veritable list of associations shaping significant worldview and global geopolitical strategies of humanitarian, governmental and commercial interests, not to mention increasing administrative oversight of nation states through the resolutions of organizations such as the United Nations (UN).

Federal Reserve

Finally, a reading of financial establishments would not be complete without the mention of the Federal Reserve – the apex of all monetary machineries responsible for world financial order today. Formed in 1913 in response to the Panic of 1907, it has continued its US-based mandate of "maximizing employment, stabilizing prices, and moderating long-term interest rates" throughout many historical events in recent times including the Great Depression and the Great Recession by executing monetary policies that has seen the ascension, and survival, of the dollar into its pole position as a reserve currency, and ensured the continuance of by now the very convoluted banking industry especially in the United States.

With an equally intriguing passage of legislation that led to its formation, we can trace the earliest of its proposal to the meeting organised by the chief of the bipartisan National Monetary Commission (established after the Panic of 1907 to study banking and currency reform) Senate Republican leader Nelson Aldrich, that took place in 1910 at Jekyll Island, Georgia – involving various luminaries of banking industry executives at that time such as Frank A. Vanderlip, president of the National City Bank of New York (associated with the Rockefellers); Henry Davison, senior partner of J.P. Morgan and Company; Charles D. Norton, president of the First National Bank of New York; Col. Edward M. House, who would later become President Woodrow Wilson's closest adviser and founder of the Council on Foreign Relations (Wilson would later become the President who signed into law the act that created the Federal Reserve); and Paul Warburg of Kuhn, Loeb, & Co. The plan that came out of the meeting—the "Aldrich Plan"—went through a number of iterations and revisions that was met with both agreement and rejection from various parties in its many subsequent forms. Eventually, after months of hearings, amendments, and debates, the 'Federal Reserve Act' (which was the proposal in its final version containing many principles of a central bank from the original Aldrich plan) passed Congress in 1913.

Thus the Federal Reserve System (also known as the Federal Reserve or simply the Fed) as the contemporary central banking system of the United States was born. Of interest to note is the legal status of regional Federal Reserve Banks in the Federal Reserve System, that have intermediate legal status – with a mix of private corporation and public federal agency features. Although the United States government has a non-proprietary interest in the Federal Reserve Banks as tax-exempt entities, and profits going to the federal government, they remain independent, privately 'owned' and locally controlled corporations, though the Board of Governors is a federal agency. However as for the structural relationship between the regional Federal Reserve banks and its commercial (member) banks, "ownership" of members is symbolic; without proprietary control nor share in the "profits", beyond statutory dividend paid out. This hybrid arrangement therefore extends a level of indirect control of the central bank by member banks (many of which are among the major entrenched banking establishments listed above), an important aspect to consider when factoring in the influence of private banking entities in decisions relating to the financial industry of the US as a whole locally, and globally through domination of the Fed-controlled dollar as a reserve currency.

The Current State of Currencies

From the Gold Standard to Floating Currencies

It took about a century for the complete transformation from a gold-backed global monetary system into the present day floating fiat currency order. (A 'fiat' currency, or fiat money, is a currency established as money by decree of government regulation or law. Fiat money—fiat: latin for "let it become"—differs from commodity money (often precious metals such as gold or silver) or representative money (represents a claim on a good/item).

The beginning of the gradual shift can be traced from the early twentieth century leading up to World War I ('WWI'), when London was still the leading international financial center, with the classical gold standard of the British pound sterling (established in 1821 by the United Kingdom where the Bank of England enabled redemption of its banknotes for gold bullion), embraced and adopted by currencies of other financial centers of the world. Just prior to the war, the Federal Reserve was also created in 1913. Almost simultaneously when the war broke out, various countries began to restrict gold exports and redemptions from banknotes. The Bank of England began experiencing complications in foreign exchange for its pound sterling, marking the early stages of international currency exchange challenges.

In spite of the end of WWI, and a period of surging economic growth in the 1920s, complete gold convertibility and a return to the gold standard proved elusive, and most countries eventually formally abandoned their gold-backed currency fixes in the 1930s. Various factors were attributed to causing difficulties in foreign exchange markets, including trade imbalances and protectionist measures of nations, with the subsequent onset of the Great Depression following the Stock Market Crash of 1929 as a major factor in further contributing to countries ending the link of their currencies to gold. Thus the global financial system shifted to a state of independently floating currencies. The recovery period after the Great Depression and a general return to a rise in global trade & economic growth allowed for some continuity in the currency markets to operate relatively efficiently without any formal arrangements and which persisted relatively trouble-free. However, the onset of World War II ('WWII', 1939 - 1945) reintroduced strains to the international currency markets with disastrous outcomes where monetary policies were not fiscally controlled responsibly.

Bretton Woods, the IMF, World Bank

Members of the newly formed United Nations ('UN') following WWII saw the necessity of a new international financial framework that will bring back stability to currency exchanges. So, at the United Nations Monetary and Financial Conference held in Bretton Woods, New Hampshire in 1944, 44 UN delegates agreed to a new 'Bretton Woods system' that effectively established the United States dollar as the world's new reserve currency. Under this system, countries would have a flexible but narrow-banded peg of their currency exchange rate to the US dollar, which is redeemable in gold at $35 USD per ounce. The Bretton Woods agreement resulted in the creation of two important institutions to facilitate the system – the International Monetary Fund (the 'IMF') and the International Bank for Reconstruction and Development ('IBRD', part of the 'World Bank'). Whilst the IMF managed balance of foreign exchanges between countries, the World Bank/IBRD allocated funds for economic renewal especially in war-torn countries.

SDRs, the Nixon Shock and the Petrodollar

Post-WWII prosperity and the pressures of growing economies caused flaws to surface in the new monetary system. In particular, international demand for the dollar (as a reserve currency) resulted in it being overvalued against its gold backing. In 1969, the IMF also developed a new reserve instrument called special drawing rights (SDRs)—that consists of a basket of countries' currencies—as an alternative to gold that would assist in balancing the exchange reserves of member countries.The expansion of money supply in the US (chiefly to finance the Vietnam War) also contributed to a current account deficit which effectively means there were more dollars in circulation than there were gold for redemption. With the consequent international trust deficit resulting in other countries requesting reparation of gold for their dollars held and the inability of US to meet with the demands, this culminated in the unilateral decision of the US administration under President Nixon in 1971 to suspend dollar convertibility to gold (known as the 'Nixon Shock') and effectively ended the last remaining vestiges of a 'gold standard'.

Further tweaks of the system and currency rates within the Bretton Woods system failed to maintain orderly arrangements of exchange between countries, and currencies began trading at 'floating rates'. With the dollar no longer linked to gold, SDRs became an alternative reserve unit to be traded among member countries. Agreements signed in 1976 and 1978 formally ended the Bretton Woods system and demonetized gold, with member countries officially embracing flexible exchange rate regimes, whilst the IMF's role expanded to ensure currency stability through oversight and surveillance.

While the floating rates introduced volatility to international currency exchanges, the dollar remained uniquely as the world reserve currency, officially as a continuation of the amended world monetary order in place (through the IMF and the World Bank); unofficially it was so in part due to the continued demand of dollars as the global currency of choice – being almost exclusively used for oil trading, made possible through agreements between US and the Organization of the Petroleum Exporting Countries ('OPEC') in 1971 and 1973. And thus the rise and pre-eminence of 'petrodollars' came to be, with its prominent role in the movement of currencies around the world and as a bedrock of stability in the form of the US dollar as a reserve currency in the absence of the previously abandoned and now antiquated gold standard. Other minor efforts were introduced to reduce volatile market movements of international currencies, including various accords and interventions, with central banks around the world coordinating market activities to maintain a relatively stable monetary order in this new environment.

The Eurozone

After WWI, the idea of a European currency was mooted in the League of Nations following increased economic divisions caused by new nation states in Europe. A formal initiative was later formed by the European Commission in 1969 to create an economic and monetary union ('EMU') between members of the European Communities. The project experienced setbacks with the collapse of Bretton Woods and the Oil crisis of 1973. The failures experienced in the Bretton Woods system led members of the European Economic Community to also experiment with various measures to stabilize currency exchanges in continental Europe whilst retaining currencies of European nation states, including “snake in the tunnel” and the European Monetary System (consisting of the European Currency Unit and the Exchange Rate Mechanism). The debate on the EMU was revived in 1988 that led to the formation of the European System of Central Banks (ESCB) to coordinate all central banks in Europe, which also enabled policy discussions for a single European currency.

An agreement for the Economic and Monetary Union of the European Union (‘EU’) was signed in 1992 (in conjunction with the establishment of the EU) to establish a unified monetary system (under a ‘Eurosystem’ monetary authority) for the ‘Eurozone’, eventually forming the European Central Bank in 1998 and implementation of the new euro currency from 1999. As a currency for a large group of continental European countries, the euro gained importance in the world monetary stage playing a significant role in the stability of international currencies, including as one of the major currencies for reserve balances managed by the IMF and taking centrestage in major international trade deals.

BIS, FSB

Two other organizations are worth mentioning in the scheme of the global monetary order: the BIS and the FSB.

The **Bank for International Settlements (BIS)** was a major European-centric international banking organization that was created in 1930 after WWI that was originally intended, inter alia, to facilitate reparations imposed on Germany by the Treaty of Versailles after the war and later to arrange for bullion reserve shipments between central banks when the gold standard was still in effect. Its operations and involvement in Nazi-related gold during WWII were viewed with suspicion and caused controversies leading to a dissolution order (which was suspended, then reversed) following the Bretton Woods agreement, thus it remained in existence and further evolved into a global institution. Today BIS continues with its role to "foster international monetary and financial cooperation and serves as a bank for central banks", playing host to the Secretariat of the Basel Committee on Banking Supervision that formulate the Basel banking frameworks adopted widely by international central banks.

The **Financial Stability Board (FSB)**, created in 2009, is a more recent entrant into the list of organizations established to monitor and make recommendations about the global financial system – emerging from the Financial Stability Forum (FSF) founded in 1999 to promote international financial stability. In addition to member states mainly from the Group of Twenty (G20), it lists the Bank for International Settlements, the European Central Bank, the European Commission, the International Monetary Fund, the Organisation for Economic Co-operation and Development and the World Bank as amongst its members.

CRISIS OF CREDIT

As we have seen from the overview of the bankers from early history till today, there is a close relationship between banking and governments, thus explaining the involvement & role of the financial industry in various historical events. Of most obvious note is how banks are credited in being able to either instigate the beginnings or shape the outcomes of financial-related crisis, whether it be intentional or as a side effect of industry practices to serve their needs and greed.

The first sub-chapter below will illustrate the link between politics and finance for the earlier dynasties, while following two sub-chapters touches on roles of banking entities and monetary order in two of the most notable global financial events that were related to a crisis in credit. Points listed in these sub-chapters are a recap of factual records displaying the involvement in major historical events by bankers and the financial industry at large, quoted from public sources mostly verbatim or edited for clarity – as the material has been much discussed in various research and write-ups available elsewhere (quoted material shown in sans serif typeface). This chapter will close with a last sub-chapter concluding where we are today in regards to the financial situation, before we discuss the future of finance in the next chapter.

Bankable Battles, Creditworthy Wars & Political Power

The intertwining of politics and finance are exemplified in an overview of the two earlier banking dynasties below.

Ministrations of the Medici

- The Medici produced three Popes of the Catholic Church—Pope Leo X (1513–1521), Pope Clement VII (1523–1534), and Pope Leo XI (1605), and, two regent queens of France—Catherine de' Medici (1547–1559) and Marie de' Medici (1600–1610).
- Three successive generations of the Medici — Cosimo, Piero, and Lorenzo — ruled over Florence through the greater part of the 15th century, without altogether abolishing representative government but clearly dominating it.
- The Medici remained masters of Italy through their two famous 16th century popes, Leo X and Clement VII, who were de facto rulers of both Rome and Florence.
- In 17th century France, Marie de' Medici was acting as regent for her son, Louis XIII.
- Medicean Tuscany participated in the Wars of Castro and inflicted a defeat on the forces of Pope Urban VIII in 1643.

Reach of the Rothschilds

- Five lines of the Austrian branch of the family have been elevated to Austrian nobility, being given five hereditary titles of Barons of the Habsburg Empire by Emperor Francis II in 1816.
- Another line, of the British branch of the family, was elevated by Queen Victoria, who granted the family two hereditary titles of Baronet (1847) and Baron (1885).

- Research conducted by GreatGameIndia Magazine has revealed that the Rothschild family was one of the controller families of the East India Company.
- From London in 1813 to 1815, Nathan Mayer Rothschild was instrumental in almost single-handedly financing the British war effort, organising the shipment of bullion to the Duke of Wellington's armies across Europe, as well as arranging the payment of British financial subsidies to their continental allies.
- In 1815 alone, the Rothschilds provided £9.8 million in subsidy loans to Britain's continental allies.
- The brothers helped coordinate Rothschild activities across the continent, and the family developed a network of agents, shippers and couriers to transport gold across war-torn Europe.
- The family network was also to provide Nathan Rothschild time and again with political and financial information ahead of his peers, giving him an advantage in the markets and rendering the house of Rothschild still more invaluable to the British government.
- In one instance, the family network enabled Nathan to receive in London the news of Wellington's victory at the Battle of Waterloo a full day ahead of the government's official messengers.
- Nathan Mayer Rothschild (of N M Rothschild & Sons) gained a position of such power in the City of London that by 1825–6 he was able to supply enough coin to the Bank of England to enable it to avert a market liquidity crisis.
- In 1816, four of the brothers were each elevated to the hereditary nobility by Austrian Emperor Francis I; moreover, a fifth brother, Nathan, was elevated in 1818. All of them were granted the Austrian title of baron or Freiherr on 29 September 1822.

- In 1847, Sir Anthony de Rothschild was made a hereditary baronet of the United Kingdom. In 1885, Nathan Mayer Rothschild II (1840–1915) of the London branch of the family, was granted the hereditary peerage title Baron Rothschild in the Peerage of the United Kingdom.
- Rothschild family banking businesses pioneered international high finance during the industrialisation of Europe and were instrumental in supporting railway systems across the world and in complex government financing for projects such as the Suez Canal.
- The Rothschild family was directly involved in the Independence of Brazil from Portugal in the early 19th century. N M Rothschild & Sons was pre-eminent in raising this capital for the government of the newly formed Empire of Brazil on the London market.
- The family funded Cecil Rhodes in the creation of the African colony of Rhodesia.
- During the early part of the 19th century, the Rothschild's London bank took a leading part in managing and financing the subsidies that the British government transferred to its allies during the Napoleonic Wars. Through the creation of a network of agents, couriers and shippers, the bank was able to provide funds to the armies of the Duke of Wellington in Portugal and Spain, therefore funding war.
- N. M. Rothschild & Sons financial strength in the City of London became such that by 1825–26, the bank was able to supply enough coin to the Bank of England to enable it to avert a liquidity crisis.
- Nathan Mayer's eldest son, Lionel de Rothschild (1808–1879), succeeded him as head of the London branch. Under Lionel, the bank financed the British government's 1875 purchase of Egypt's interest in the Suez Canal.
- James Mayer de Rothschild (1792–1868), known as "James", established de Rothschild Frères in Paris. Following the Napoleonic Wars, he played a major role in financing the

construction of railways and the mining business that helped make France an industrial power. But then the Paris business suffered a near death blow in 1982 when the socialist government of François Mitterrand nationalised and renamed it Compagnie Européenne de Banque.

- James Mayer de Rothschild's other son, Edmond James de Rothschild (1845–1934) was very much engaged in philanthropy and the arts and was a leading proponent of Zionism.
- In Vienna, Salomon Mayer Rothschild established a bank in the 1820s and the Austrian family had vast wealth and position. The crash of 1929 brought problems, and Baron Louis von Rothschild attempted to shore up the Creditanstalt, Austria's largest bank, to prevent its collapse. Nevertheless, during the Second World War they had to surrender their bank to the Nazis and flee the country.
- In Naples, the C M de Rothschild & Figli bank arranged substantial loans to the Papal States and to various Kings of Naples plus the Duchy of Parma and the Grand Duchy of Tuscany.
- In the early 19th century, the Rothschild family of Naples built up close relations with the Vatican Bank, and the association between the family and the Vatican continued into the 20th century. The 1906 Jewish Encyclopedia described the Rothschilds as "the guardians of the papal treasure".
- Many Rothschilds were supporters of Zionism, while other members of the family opposed the creation of the Jewish state.
- Lord Victor Rothschild was against granting asylum or helping Jewish refugees during the Holocaust.

- In 1917 Walter Rothschild, 2nd Baron Rothschild was the addressee of the Balfour Declaration to the Zionist Federation.
- After the death of James Jacob de Rothschild in 1868, his eldest son Alphonse Rothschild took over the management of the family bank and was the most active in support for Eretz Israel.
- The Rothschild family archives show that during the 1870s the family contributed nearly 500,000 francs per year on behalf of Eastern Jewry to the Alliance Israélite Universelle.
- Baron Edmond James de Rothschild, youngest son of James Jacob de Rothschild, was a patron of the first settlement in Palestine at Rishon-LeZion, and bought from Ottoman landlords parts of the land which now makes up present-day Israel. In 1924, he established the Palestine Jewish Colonisation Association (PICA), which acquired more than 125,000 acres (50,586 ha) of land and set up business ventures.
- The Rothschilds also played a significant part in the funding of Israel's governmental infrastructure. James A. de Rothschild financed the Knesset building as a gift to the State of Israel and the Supreme Court of Israel building was donated to Israel by Dorothy de Rothschild.
- Interviewed by Haaretz in 2010, Baron Benjamin Rothschild, a Swiss-based member of the banking family, said that he supported the peace process.

The Great Depression

The involvement of modern-day banking establishments in one of the most significant historical economic event in the past is shown in the overview below.

About

"The Great Depression was a severe worldwide economic depression that took place during the 1930s. The timing of the Great Depression varied across nations; in most countries it started in 1929 and lasted until the late 1930s. It was the longest, deepest, and most widespread depression of the 20th century. In the 21st century, the Great Depression is commonly used as an example of how far the world's economy can decline."

"A true understanding of the Great Depression requires not only knowledge of the U.S. monetary system but also the implications of the gold standard on its participatory nations. The gold standard made the involved nations interdependent on each other's monetary policy. Due to a fixed exchange rate, the only way to affect the demand for gold was through interest rates. For example, if interest rates were high in one country, then investors would have no reason to exchange currency for gold and the gold reserves would remain stable. However, if interest rates were low in a different country then its investors would elect to move their funds abroad where interest rates were higher. In order to stop this from happening, each nation within the gold standard union had no choice but to raise its interest rates in correspondence with its fellow nation. This interconnectivity of deflationary policy amongst so many nations resulted in the prolongation of the greatest economic downturn."

General Observations

1. The depression originated in the United States, after a fall in stock prices that began around September 4, 1929, and became worldwide news with the stock market crash of October 29, 1929 (known as Black Tuesday).
2. There is consensus that the Federal Reserve System should have cut short the process of monetary deflation and banking collapse. If the Fed had done that the economic downturn would have been far less severe and much shorter.
3. Monetarists argue that the Great Depression was caused by the banking crisis that caused one-third of all banks to vanish, a reduction of bank shareholder wealth and more importantly monetary contraction by 35%. This caused a price drop by 33% (deflation). By not lowering interest rates, by not increasing the monetary base and by not injecting liquidity into the banking system to prevent it from crumbling the Federal Reserve passively watched the transforming of a normal recession into the Great Depression.
4. The Federal Reserve allowed some large public bank failures – particularly that of the New York Bank of United States – which produced panic and widespread runs on local banks, and the Federal Reserve sat idly by while banks collapsed.
5. One reason why the Federal Reserve did not act to limit the decline of the money supply was the gold standard. At that time, the amount of credit the Federal Reserve could issue was limited by the Federal Reserve Act, which required 40% gold backing of Federal Reserve Notes issued. By the late 1920s, the Federal Reserve had almost hit the limit of allowable credit that could be backed by the gold in its possession. This credit was in the form of Federal Reserve demand notes. A "promise of gold" is not as good as "gold in the hand", particularly when they only had enough gold to cover 40% of the

Federal Reserve Notes outstanding. During the bank panics a portion of those demand notes were redeemed for Federal Reserve gold. Since the Federal Reserve had hit its limit on allowable credit, any reduction in gold in its vaults had to be accompanied by a greater reduction in credit. On April 5, 1933, President Roosevelt signed Executive Order 6102 making the private ownership of gold certificates, coins and bullion illegal, reducing the pressure on Federal Reserve gold.

6. A predominant factor leading to the Great Depression was a vicious circle of deflation and growing over-indebtedness. Factors interacting with one another under conditions of debt and deflation to create the mechanics of boom to bust in a chain of events proceeded as follows:
   a. Debt liquidation and distress selling
   b. Contraction of the money supply as bank loans are paid off
   c. A fall in the level of asset prices
   d. A still greater fall in the net worth of businesses, precipitating bankruptcies
   e. A fall in profits
   f. A reduction in output, in trade and in employment
   g. Pessimism and loss of confidence
   h. Hoarding of money
   i. A fall in nominal interest rates and a rise in deflation adjusted interest rates
7. Analysis suggests that the elimination of the policy dogmas of the gold standard, a balanced budget in times of crises and small government led endogenously to a large shift in expectation that accounts for about 70–80 percent of the recovery of output and prices from 1933 to 1937.

8. Theorists of the "Austrian School" argue that the key cause of the Depression was the expansion of the money supply in the 1920s that led to an unsustainable credit-driven boom. By the time the Fed belatedly tightened in 1928, it was far too late and, in the Austrian view, a significant economic contraction was inevitable. The spectacular crash of 1929 followed five years of reckless credit expansion by the Federal Reserve System under the Coolidge Administration.
9. The gold standard was the primary transmission mechanism of the Great Depression. Even countries that did not face bank failures and a monetary contraction first hand were forced to join the deflationary policy since higher interest rates in countries that performed a deflationary policy led to a gold outflow in countries with lower interest rates. Under the gold standards price–specie flow mechanism countries that lost gold but nevertheless wanted to maintain the gold standard had to permit their money supply to decrease and the domestic price level to decline (deflation).
10. Some economic studies have indicated that just as the downturn was spread worldwide by the rigidities of the Gold Standard, it was suspending gold convertibility (or devaluing the currency in gold terms) that did the most to make recovery possible. Every major currency left the gold standard during the Great Depression.
11. According to later analysis, the earliness with which a country left the gold standard reliably predicted its economic recovery. For example, Great Britain and Scandinavia, which left the gold standard in 1931, recovered much earlier than France and Belgium, which remained on gold much longer. Countries such as China, which had a silver standard, almost avoided the depression entirely.
12. The money supply growth caused by huge international gold inflows was a crucial source of the recovery of the United States economy, and that the economy showed little

sign of self-correction. The gold inflows were partly due to devaluation of the U.S. dollar and partly due to deterioration of the political situation in Europe. In their book, A Monetary History of the United States, Milton Friedman and Anna J. Schwartz also attributed the recovery to monetary factors, and contended that it was much slowed by poor management of money by the Federal Reserve System. Former Chairman of the Federal Reserve Ben Bernanke agreed that monetary factors played important roles both in the worldwide economic decline and eventual recovery. Bernanke also saw a strong role for institutional factors, particularly the rebuilding and restructuring of the financial system, and pointed out that the Depression should be examined in an international perspective.

13. The common view among economic historians is that the Great Depression ended with the advent of World War II. Many economists believe that government spending on the war caused or at least accelerated recovery from the Great Depression. The rearmament policies leading up to World War II helped stimulate the economies of Europe in 1937–39. When the United States entered into the war in 1941, it finally eliminated the last effects from the Great Depression. Massive war spending doubled economic growth rates, either masking the effects of the Depression or essentially ending the Depression. Businessmen ignored the mounting national debt and heavy new taxes, redoubling their efforts for greater output to take advantage of generous government contracts.
14. In 1931 President Hoover urged bankers to set up the National Credit Corporation so that big banks could help failing banks survive. But bankers were reluctant to invest in failing banks, and the National Credit Corporation did almost nothing to address the problem.

15. By 1932, businesses and families defaulted on record numbers of loans, and more than 5,000 banks had failed. Hundreds of thousands of Americans found themselves homeless, and began congregating in shanty towns – dubbed "Hoovervilles" – that began to appear across the country. In response, President Hoover and Congress approved the Federal Home Loan Bank Act, to spur new home construction, and reduce foreclosures. Among the final attempt of the Hoover Administration to stimulate the economy was the creation of the Reconstruction Finance Corporation (RFC) in 1932. The Reconstruction Finance Corporation was a Federal agency with the authority to lend up to $2 billion to rescue banks and restore confidence in financial institutions. But $2 billion was not enough to save all the banks, and bank runs and bank failures continued.
16. In 1933 Franklin Delano Roosevelt argued that restructuring of the economy would be needed to prevent another depression or avoid prolonging the current one. New Deal programs sought to institute financial reforms. During a "bank holiday" that lasted five days, the Emergency Banking Act was signed into law. It provided for a system of reopening sound banks under Treasury supervision, with federal loans available if needed. The Securities Act of 1933 comprehensively regulated the securities industry. This was followed by the Securities Exchange Act of 1934 which created the Securities and Exchange Commission. Though amended, key provisions of both Acts are still in force. Federal insurance of bank deposits was provided by the FDIC, and the Glass–Steagall Act.

Specifics in the Timeline

1929

- October 29: 'Black Tuesday'. U.S. Stock market collapse.
- November 1: The Federal Reserve begins lowering the discount rate from its 6% level.

1930

- September - December: First round of U.S. bank failures.
- December: The Federal Reserve's federal funds rate reaches 2%, a record low.

1931

- May: Creditanstalt, Austria's premier bank, goes insolvent.
- May: The Federal Reserve's federal funds rate bottoms out at 1.5%.
- May–June: Second U.S. bank failures
- July: Germany banking crisis
- September 21: Britain leaves the gold standard.
- September - October: Substantial amount of dollar assets are converted to gold in the US
- September - December: The Federal Reserve increases the federal funds rate.
    - Fed wanted to stabilize the dollar without going off the gold standard. As a result, production continued to plummet and the depression intensified.

1932

- April 2 - June: Government conducted open market transactions to increase money supply.
- July: The Government discontinued open market operations.

1933

- April 5 - Executive Order 6102 or President Franklin D. Roosevelt issued, forbidding hoarding of gold coin, bullion and certificates, effective from May 1, 1933

Also In Other Countries

- Germany's Weimar Republic was hit hard by the depression, as American loans to help rebuild the German economy now stopped.
- The reverberations of the Great Depression hit Greece in 1932. The Bank of Greece tried to adopt deflationary policies to stave off the crises that were going on in other countries, but these largely failed. For a brief period the drachma was pegged to the U.S. dollar, but this was unsustainable given the country's large trade deficit and the only long-term effects of this were Greece's foreign exchange reserves being almost totally wiped out in 1932. Greece went off the gold standard in April, 1932 and declared a moratorium on all interest payments.
- The Great Depression hit Italy very hard. As industries came close to failure they were bought out by the banks in a largely illusionary bail-out—the assets used to fund the purchases were largely worthless. This led to a financial crisis peaking in 1932 and major government intervention. The Industrial Reconstruction Institute (IRI) was formed in January 1933 and took control of the bank-owned companies, suddenly giving Italy the largest state-owned industrial sector in Europe (excluding the USSR).

The Great Recession

In more recent memory, the involvement of modern-day banking establishments in the last major economic event is shown in the overview below.

About

“The Great Recession was a period of general economic decline observed in world markets during the late 2000s and early 2010s. The scale and timing of the recession varied from country to country. In terms of overall impact, the International Monetary Fund concluded that it was the worst global recession since World War II. According to the US National Bureau of Economic Research (the official arbiter of US recessions) the recession, as experienced in that country, began in December 2007 and ended in June 2009, thus extending over 19 months. The Great Recession was related to the financial crisis of 2007–08 and U.S. subprime mortgage crisis of 2007–09, with the crisis in Europe generally progressed from banking system crises to sovereign debt crises, as many countries elected to bailout their banking systems using taxpayer money. The Great Recession has resulted in the scarcity of valuable assets in the market economy and the collapse of the financial sector in the world economy.”

“The financial crisis of 2007–2008, also known as the global financial crisis and the 2008 financial crisis, is considered by many economists to have been the worst financial crisis since the Great Depression of the 1930s. It began in 2007 with a crisis in the subprime mortgage market in the USA, and developed into a full-blown international banking crisis with the collapse of the investment bank Lehman Brothers on September 15, 2008. Excessive risk taking by banks such as Lehman Brothers helped to magnify the financial impact globally. Massive bailouts of financial institutions and other palliative monetary and fiscal policies were employed to prevent a possible collapse of the world's financial system. The crisis was nonetheless followed by a global economic downturn, the Great Recession. The Eurozone crisis, a crisis in the banking system of the European countries using the euro, followed later. The Dodd–Frank regulatory reforms were enacted in the US to lessen the chance of a recurrence, and the Basel III capital and liquidity standards were adopted by countries around the world."

"The European debt crisis (often also referred to as the Eurozone crisis or the European sovereign debt crisis) is a multi-year debt crisis that has been taking place in the European Union since the end of 2009. Several eurozone member states (Greece, Portugal, Ireland, Spain and Cyprus) were unable to repay or refinance their government debt or to bail out over-indebted banks under their national supervision without the assistance of third parties like other Eurozone countries, the European Central Bank (ECB), or the International Monetary Fund (IMF).

The detailed causes of the debt crisis varied. In several countries, private debts arising from a property bubble were transferred to sovereign debt as a result of banking system bailouts and government responses to slowing economies post-bubble. European banks own a significant amount of sovereign debt, such that concerns regarding the solvency of banking systems or sovereigns are negatively reinforcing.

As concerns intensified in early 2010 and thereafter, leading European nations implemented a series of financial support measures such as the European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM). The European Central Bank (ECB) also contributed to solve the crisis by lowering interest rates and providing cheap loans of more than one trillion euro in order to maintain money flows between European banks. In 2012, the ECB calmed financial markets by announcing free unlimited support for all eurozone countries involved in a sovereign state bailout/precautionary programme from EFSF/ESM, through some yield lowering Outright Monetary Transactions (OMT).

The crisis had significant adverse economic effects and was blamed for subdued economic growth, not only for the entire eurozone, but for the entire European Union. As such, it can be argued to have had a major political impact on the ruling governments in 10 out of 19 eurozone countries, contributing to power shifts in Greece, Ireland, France, Italy, Portugal, Spain, Slovenia, Slovakia, Belgium and the Netherlands, as well as outside of the eurozone, in the United Kingdom."

Specifics in the Timeline

(With a focus on the highlights mainly in the US financial crisis of 2008, up to 2011.)

2008

September 2008

- September 7: Federal takeover of Fannie Mae and Freddie Mac, which at that point owned or guaranteed about half of the U.S.'s $12 trillion mortgage market, effectively nationalizing them.
- September 14: Merrill Lynch is sold to Bank of America and Lehman Brothers collapse.
- September 15: Lehman Brothers files for bankruptcy protection.
- September 16: Run on the money market funds. Over $140 billion is withdrawn vs. $7 billion the week prior.
- September 17: The US Federal Reserve lends $85 billion to American International Group (AIG) to avoid bankruptcy.

- September 18: Treasury Secretary Henry Paulson and Fed Chairman Ben Bernanke meet with key legislators to propose a $700 billion emergency bailout through the purchase of toxic assets.
- September 19: Paulson financial rescue plan is unveiled after a volatile week in stock and debt markets.
- September 25: Washington Mutual is seized by the Federal Deposit Insurance Corporation, and its banking assets are sold to JPMorgan Chase for $1.9 billion.
- September 29: Emergency Economic Stabilization Act is defeated 228-205 in the United States House of Representatives; Federal Deposit Insurance Corporation announces that Citigroup Inc. would acquire banking operations of Wachovia.

October 2008

- October 1: The U.S. Senate passes HR1424, their version of the $700 billion bailout bill.
- October 1: The financial crisis spreads to Europe.
- October 3: President George W. Bush signs the Emergency Economic Stabilization Act, creating a $700 billion Troubled Assets Relief Program to purchase failing bank assets.
- October 3: Using tax law change made September 30, Wells makes a higher offer for Wachovia, scooping it from Citigroup.
- October 6–10: Worst week for the stock market in 75 years. The Dow Jones loses 22.1 percent, its worst week on record, down 40.3 percent since reaching a record high of 14,164.53 October 9, 2007. The Standard & Poor's 500 index loses 18.2 percent, its worst week since 1933, down 42.5 percent in since its own high October 9, 2007.
- October 6: Fed announces that it will provide $900 billion in short-term cash loans to banks.

- October 7: Fed makes emergency move to lend around $1.3 trillion directly to companies outside the financial sector.
- October 7: The Internal Revenue Service (IRS) relaxes rules on US corporations repatriating money held overseas in an attempt to inject liquidity into the US financial market. The new ruling allows the companies to receive loans from their foreign subsidiaries for longer periods and more times a year without triggering the 35% corporate income tax.
- October 8: Central banks in USA (Fed), England, China, Canada, Sweden, Switzerland and the European Central Bank cut rates in a coordinated effort to aid world economy.
- October 8: Fed also reduces its emergency lending rate to banks by half a percentage point, to 1.75 percent.
- October 11: The Dow Jones Industrial Average caps its worst week ever with its highest volatility day ever recorded in its 112-year history. Over the last eight trading days, the DJIA has dropped 22% amid worries of worsening credit crisis and global recession. Paper losses now on US stocks now total $8.4 trillion from the market highs of the previous year.
- October 14: Following a model initiated by the United Kingdom bank rescue package announced on October 8, the US taps into the $700 billion available from the Emergency Economic Stabilization Act and announces the injection of $250 billion of public money into the US banking system. Nine banks agreed to participate in the program and will receive half of the total funds: 1) Bank of America, 2) JPMorgan Chase, 3) Wells Fargo, 4) Citigroup, 5) Merrill Lynch, 6) Goldman Sachs, 7) Morgan Stanley, 8) Bank of New York Mellon and 9) State Street.

- October 21: The US Federal Reserve announces that it will spend $540 billion to purchase short-term debt from money market mutual funds.

November 2008

- November 4: Federal Reserve loans $133 billion through various credit facilities, 39% of which goes to two foreign institutions-German Irish Bank Depfa and Dexia Credit of Belgium.
- November 12: Treasury Secretary Paulson abandons plan to buy toxic assets under the $700 billion Troubled Asset Relief Program (TARP). Mr. Paulson said the remaining $410 billion in the fund would be better spent on recapitalizing financial companies.
- November 17: The Treasury gives out $33.6 billion to 21 banks in the second round of disbursements from the $700 billion bailout fund. This payout brings the total to $158.56 billion so far.
- November 24: The US government agrees to rescue Citigroup after an attack by investors causes the stock price to plummet 60% over the last week under a detailed plan that including injecting another $20 billion of capital into Citigroup bringing the total infusion to $45 billion.
- November 25: The US Federal Reserve pledges $800 billion more to help revive the financial system. $600 billion will be used to buy mortgage bonds issued or guaranteed by Fannie Mae, Freddie Mac, and the Federal Home Loan Banks.

December 2008

- December 1: The National Bureau of Economic Research officially declared that the U.S. economy had entered recession in December 2007, a full year earlier. The S&P 500 fell 80 points to 816, down 9%. Financial stocks in the S&P 500 fell 17%. The Dow Jones

Industrial Average closed at 8149 with a drop of 679 points 7.7% down. Oil fell below $50 a barrel in New York Trading.

- December 9: The Bank of Canada lowered its key interest rate by 0.75% to 1.5%, the lowest it had been since 1958; at the same time the Bank officially announced that Canada's economy was in recession.
- December 11: The FBI announced the arrest of Bernard Madoff in a Ponzi scheme which totaled $50 billion by Madoff's own estimate, and which was soon found to affect banks, individuals, and charities in the U.S. and Europe.
- December 22: US industry leaders asked the Federal Reserve for assistance unfreezing the commercial real estate market, which has not securitized any loans in the last six months of 2008.

2009

- January 18: The Danish Parliament agreed to a financial package worth 100 billion Danish kroner (17.6 billion USD).
- January 1-February 27: The worst start to a year in the history of the S&P 500 with a drop in value of 18.62%. By March 2, the Dow Jones Industrial Average Index had dropped more than 50% from its October 2007 peak. The decline has been compared to that of the 1929 Great Depression, which was 53% between September 1929 and March 1931.
- March 6: The Bank of England announced up to 150 billion pounds of quantitative easing, increasing the risk of inflation.
- March 9: The Dow had fallen to 6440, a percentage decline exceeding the pace of the market's fall during the Great Depression and a level which the index had last seen in 1996.

- March 10: A counter trend bear market rally began, taking the Dow up to 8500
- May 6: Financial stocks were up more than 150% during this rally.
- May 9: Financial stocks had rallied more than 150% in just over two months.
- June 22: The World Bank projected that the global production for 2009 would fall by 2.9%, the first decline since the second world war.

2010

- April 16: The Securities and Exchange Commission sues Goldman Sachs for fraud.
- October: A foreclosures crisis occurs due to many foreclosures being carried out even without the necessary paperwork being in place, instead relying on "robo-signing" of the legal documents. Many demand that all foreclosures be halted nationwide until the systemic issues of extrajudicial practices have come under control.

2011

- January: The U.S. Financial Crisis Inquiry Commission reported its findings in January 2011. It concluded that "the crisis was avoidable and was caused by: Widespread failures in financial regulation, including the Federal Reserve's failure to stem the tide of toxic mortgages; Dramatic breakdowns in corporate governance including too many financial firms acting recklessly and taking on too much risk; An explosive mix of excessive borrowing and risk by households and Wall Street that put the financial system on a collision course with crisis; Key policy makers ill prepared for the crisis, lacking a full understanding of the financial system they oversaw; and systemic breaches in accountability and ethics at all levels."
- April: The US Senate Permanent Committee on Investigations releases the Levin-Coburn report, "Wall Street and the Financial Crisis: Anatomy of a Financial

> Collapse". It presents new details about the activities of Goldman Sachs, Deutsche Bank, Moody's, and other companies preceding the financial crisis.

Apart from facts presented by the reference text in the preceding sub-chapters, there is a great amount of resource and material in the public domain, especially on the Great Depression and Great Recession, that will aide the reader in understanding the full scope and extent of these events which has affected almost every other dimension shaping the world from people to politics, beyond its implications on aspects of the banking industry, financial systems, and monetary order.

A Financial Facade

From a review of the banking establishment and crisis events that were highlighted, we can surmise that the path taken by the international financial system and its management of monetary movements as a whole was by no means an accidental series of consequences. Beginning with national banks dabbling in a globalized world led by the Bank of England, countries soon shifted to an international financial infrastructure led by the IMF and the Federal Reserve System of the United States – tracing the modern day evolution of currencies from the adoption of the pound sterling as a global standard then moving to a new dollar standard, precipitated by a decline of the British Empire and the rise of American-led political influence in the world.

Whilst initially remaining on the gold standard, a series of events paved the way for national currencies to detach itself from the metallic link into a totally fiat specie. Firstly, a coordinated partial decoupling was adopted as a measure to recover from the Great Depression. This was the culmination of precursor banking panics responsible to have central banking re-instituted in America in the form of the Federal Reserve and the increasing redemption difficulties facing the countries during World War I and post-war reconstruction period. Next, a complete break from convertibility was enforced following the stresses of pursuing rapid economic growth after World War II, where financing the expansion and development of nations (including funding other wars) tested the concept of redeemable notes to its limit and ended the practicality of backing notes with gold. This period of uncertainty and volatility in money markets was eventually mitigated when the premier position of the petrodollar allowed for it to establish itself as the global currency of choice. Finally, with a new freely floating currency regime with the dollar as a world reserve, it was a race to maximize profits based on highly inflatable money supplies made possible in a fiat system, with increasing frequencies of the resulting cyclical economic booms & busts (including exacerbating wealth disparity as exemplified in the Great Regression of the 1980s), crescending towards the most recent financial crash causing the Great Recession.

The statistics show that the stabilization of the financial industry after this last crisis was at significant cost to the system: (1) hundreds of even bigger bank failures across the world, and (2) an exponential increase in the balance sheets of central banks (effectively, through the creation of new money or increase in money supply) with a corresponding enlargement of national debts in many countries.

As for the consolidation of the banking system where a number of remaining institutions arose from the ashes of the wreckage, the landscape of the financial industry in the aftermath of the crisis was one where only a handful of ostensibly 'too big to fail' banking corporation were left standing (propped-up by bailouts and rescued through freeing up failed assets) – with no surprises that it was the most politically connected ones that have managed to maneuver the administrative minefield and received the required governmental assistance to continue operating. This episode of dog-eat-dog demonstrates how the interests of the elite few in politics & finance supersedes equality of treatment across the board, especially in turbulent times risking the perseverance of troubled outfits.

In the case of the growing worldwide indebtedness, the accelerated upwards curve of liquidity flushed into the banking system is unprecedented in monetary history, and has now burdened governments of the world with astronomical liabilities, perpetual budget deficits and central banks creaking to the brim with virtually worthless toxic instruments acquired in pursuit of saving a select set of failing financial institutions. More alarmingly, imprudent unilateral fiscal measures taken in pursuit of maintaining geopolitical pole positions once again has given rise to friction in global financial stewardship, with rising competing world powers making moves to distance themselves from the fallout of monetary policy abuse and currency manipulations.

In other words, following from the measures imposed after the Great Recession, the world is again witnessing a new wave of systemic transitions as a direct result from an outcome that can only be construed as a crisis in confidence with the existing order. Skirmishes in monetary markets were already witnessed such as in the Currency War of 2009-2011, and other subtle or largely unreported changes in fiscal policies of governments that are rapidly being undertaken by countries disenfranchised by the status quo. History repeats itself time and again, as how the international community monetarily morphed in the many transformational periods earlier.

The next & final chapter will discuss on possible global repercussions on the monetary order should the facade of stability in the financial system finally shatter, and why it would not be unfathomable that a currency failure fiendishly fixed by the few will follow, and of the consequences from the upcoming crash to cap all crisis occurring before.

DEATH OF THE DOLLAR

Priming for Failure

Economists hold varying positions on whether the world is in a better financial footing today, or otherwise, after the Great Recession. But as with all statistics, the numbers do not lie – it is only how you want to interpret it. There are endless reports with infinite rows of numbers that are available for the reader to review, so this paper seeks to summarise a view in words instead, giving the reader a sense of direction without having to tire over numerical formulas and theories. Of course, the picture presented is a posit of the author based on his analysis of a worldview shaped by the financial history of the world, led about by the bankers and their business of buying up the bourgeois for a bottomless bargain.

We have seen how the bankers manipulated money – from the earliest examples of fraudulent fractionals, to the gold delinkage of dollars and the rest, and most recently in creating flattering amounts of fiat currencies. Economies have taken flights of fruition or dived into depths of depravation with the control of credit (money supply, etc.) at the whims of the banks to whom the bureaucrats are beholden to. Not to mention the rollercoaster trips taken by the markets through the dizzying heights of derivative complexities and the eventual crashes upon the unravelling of esoterically worthless toxic trades, mostly driven by the greed of gaining ever more, and the lust for loosened laws that are supposed to rein in burgeoning unbridled bets. The ups and downs were not merely accidental occurrences but the symptoms of pre-planned programs of the banks that ultimately direct governments towards given outcomes well-understood by those bankers in question (emergency acts, bailout bounties, cash infusions, funds diversions, etc.).

Based on these observations, would it not be a calculated conjecture that the experiments in economic adventures were in fact an act of priming for fiscal failure? The collective result of the most recent crisis have readied the system for a catastrophic collapse. Notwithstanding the continuing feel-good factors that are continuously spewed in the media to lull the masses into thinking we are past the worst, we cannot deny the truth from the numbers – that the global economy based on an edifice propped up by artificiality is largely at the edge of a cliff, where which one slip from another step spells a certain doom. But knowing the banks and their modus operandi, it begs the question, why? Why would this base of profiteering entities steer the economy towards a certain end, if it would spell further consolidation of their ilk, affecting the pastures on which they prey upon? The answer is simple and mathematically provable: this pompous parade of pumped up properties—from monies to markets—most predictably must pop. Like a balloon (or more aptly, bubble) that is continuously inflated with air, it will reach a bursting point and go bust. It is not a mystery, nor is it unknown to the bankers. In fact, based on this very understanding, they have prepared for it. Of course, despite their preparations, and possibly by design, not all of the elements in the financial industry will survive.

Chief amongst the casualty will be the dollar, already on death throes and sustained by an increasingly incapacitated life-support structure – with only inward-looking institutions such as the Federal Reserve left to flog whatever limping life the dollar has left in it. And when the dollar is finally terminated, its death will be followed by the dozens of other diminutive currencies all dependent on the dollar market, save a few currencies that has successfully detached itself from dollar-dependence. The dollar-dependents are countries who effectively have their international currency reserves almost exclusively in dollars, whilst the plausibly independent countries are those who have increased levels of non-dollar currency reserves to match their national currencies, specifically in holding gold reserves.

How exactly will the dollar 'die'? As simplified in the overview of the preceding chapter, the policy of especially Quantitative Easing (Q.E.)—a monetary policy in which central banks creates new money (accounted for in their books) to acquire bonds or other financial assets, mainly issued by the governments but may also apply to privately marketed instruments—and similar measures practiced with impunity in the last crisis has effectively 'printed' preposterous amounts of dollars to the point of no return, created into existence to ostensibly save the (US) economy. This large self-bequeathed bonanza of dollars has (1) exacerbated a vicious cycle of internal repayments into increasingly untenable increments and (2) largely ostracized other global currency players that have grown to scorn such unilateral actions taken by the United States for primarily its own benefit. Parallels can be drawn to when the US was perceived to have held a privileged position in the Bretton Woods system to the chagrin of the international community who balked at dollar values by taking retaliatory actions, leading to the Nixon shock.

In the first self-inflicted disaster, the trillions of dollars in internal indebtedness has already far exceeded sane levels of the self-imposed debt ceiling that the US can ever hope to scale back from. It is now a one-way street into an abyss of ever larger deficits in each successive budgets the country creates, having to keep up appearances of servicing such debts (and we are only talking of interests due; not even touching the principal payments) – an impossibility to ever balance given the mismatch between what has been loaned by the Fed to the government and its more meagre annual Gross Domestic Product (GDP), the GDP being a more tangible albeit flaccidly growing economic output that cannot simply be artificially inflated higher to match the borrowings made. At some point, creative accounting can only push the limits of credibility so far when in comes to the country's cash flows, and it will be at that point that the dollar has to be 'adjusted' back to reality, i.e.. a devastating devaluation of the dollar is in order.

In the second scenario of its self-serving dollar sanction, other countries have and will wisen up to the United States' blatantly demonstrable 'unfair advantage' in an unlevel currency playing field, by either making moves on their own currencies (such as similar Q.E.s unleashed by pumping pounds sterling into the UK market by the Bank of England or engorging the Eurozone with euros by the European Central Bank), or, abandoning dollar-denominated funds (such as China's policy of reducing acquisition/holdings of dollar-denominated instruments and offloading existing ones it has to other countries as fast as it can, through 'foreign investments' – hence killing two birds with one stone!). In the former, Q.E.s of other currencies only serve to further delegitimize such currencies in question, devaluing its worth downwards in the eyes of other currency players of the world. In the latter, a more direct dejection of the dollar is expressed, and collectively it would crash to levels close to worthlessness (after the very fast and very furious foreign deployments of such funds whilst it remains of value), as how other manipulated currencies in the past have been rejected by the community at large. Whether it be the dollar or other currencies that loses its value, the end result will be the same, in that such currencies will hold less prestige and its presence pretty much pointless in the larger scheme of the world's currency markets.

Of course, the list of casualties extend beyond just currencies. In spite of the knowledge the bankers have of this anticipated failure, the realisation is stark – many amongst their brethrens will also perish in this breakdown, a repeat of banking failures in the many crisis before. The magnitude of bankruptcies and buy-outs in the coming collapse will make the inconveniences of the last Great Recession appear miniscule in comparison, and major institutions will now be shaken to their core in search of survivability. With the dollar on its death bed and other currencies crippled, establishments such as the Federal Reserve, the World Bank, the International Monetary Fund, et al, will find themselves foraging for a raison d'être. With this knowledge in mind, we must certainly come to a conclusion that the various cogs in the financial industry are know jostling for relevancy and positioning to persist past the punctured plains. The race to be rescued will not be reasonable nor rational, and the dash to savour the spoils (or whatever is left from the shattered system) will be dangerous, determined and downright dirty. But beyond the broken fragments of a floundering financial environment, there will definitely be the plotters who are planning to profoundly profit from the fiasco, culminating in a heist of the ages dwarfing all that has been done before: the fiscal forfeiture.

A Fiscal Forfeiture

Contrary to conventional expectations, the collapse of currencies is not the closure of economies, but more a change of guard. Though catastrophic, the crash is merely crafted to create a new currency order (and consequently, a new market monopoly) – the traumatic reset earlier alluded to. Yet, whilst many and most will suffer from this economic episode of the century, it is a thinly veiled attempt of an elite few to pilfer vast amounts of wealth from unsuspecting nations and market participants. How is it that through this coming point of future history, a select few will manage to forfeit real wealth in the face of a crumbling cocoon of fiat currencies and market meltdowns? What devices will be exploited by the bankers to execute this grandest of larceny in daylight robbery? Who will be the beneficiary of this banking bias, and who will be the biggest losers from the fracas left behind by the fiendish financiers?

In order to discover the answers and derive a plausible pathway to identify the parties who will remain intact after the reset, we need to ascertain the trends of today and examine the efforts undertaken by the major players in the financial industry, two of which can be identified today: (1) technology, and, (2) strategy.

Firstly, financial technology (‘FinTech’) is key in the development of ever more complex and calculated transactions that traverse cities, countries and continents. Trades in money markets, securities exchanges and derivative dens are no longer solely dictated by human emotions and analysis of the intellect, but increasingly affected by artificial intelligence determining the direction and discretion of buy or sell orders based on an alchemy of algorithms applied to a dump of indicators churned manifold by machines making sense of metadata. As the trail of exchanges are no longer private, transparency and trackability is the new norm. Every script and each receipt of trading orders are analyzed, scrutinized, sliced and diced, to the very last detail. A trove of transactional data in every tiniest fraction of a second is trapped in a vast database of records, contributing to an endless surveillance of strategic moves.

And so the conclusion is clear – the clearest winners will be the ones who deploy significant resources into the development of systems to weather the storm with a corresponding array of leading edge FinTech to handle, understand and react in ever increasing complexities of the industry. With their vast arsenal of technical superiority, banking entities equipped with the latest and greatest tools to face the decline and decimation of assets destined for failure will be in the best position to profit from the turmoil. Imagine split-second transfers of currencies, stocks, equities, commodities, options and futures that will keep the winners winning and the losers losing, and you can imagine the absolute future of how the notion of trade is reduced to machine machismo, where speed and processing superiority are the determinants of outcomes. This phenomena has been growing in frequency in recent memory, where markets exhibit 'groundless gains' or 'flash crashes' inexplicably, leaving behind a trail of swift profits for the automated dealers counteracting as quick as the tides turn, and heart-wrenching losses for the slower traders who did not see the conflict coming and did not know what hit them.

Combine the computerised capacities and deep data-mining capabilities of well-positioned banks, and you would have a best-in-class combination of cutting edge cunningness and strategically placed platforms to steer a financial ship around any storm that it may face. Unfortunately, this advantage mainly applies to private (banking) entities; apart from a handful of forward-looking countries as financial 'partners in crime', the bureaucratic governmental institutions of politically paralyzed remainder nations (more so incapable to act in testing times of economic erraticness) will not be able to keep up to speed with legally binding regulatory hurdles and authoritative oversights to be cleared at every step of the way as it tries to maneuver the minefield of monetary & market maelstrom. Coupled with archaic definitions of legal tenders and the accompanying obligations of nation states trying to defend their national treasures from being manipulated and emasculated, governments are rendered powerless with inadequately equipped fiscal authorities to face the onslaught of abusive market manipulation. It has been demonstrated time and again by the failures of slow-acting central banks in various countries to rein in rogue currency speculation to the detriment of their valuations. Such sinister activities will only be magnified with technological improvements and the disposition of private bankers with unlimited profiteering prowess in terms of empowering computerized performance and unlimited pools of funds to play with.

The end result will be that supranational commercial interests and a select coterie of countries will prevail in navigating the collapse of currencies and surviving the trading turmoil by benefiting the most from the bust. And thus a fiscal forfeiture will transpire, transferring the power of currency control from nation states, and fund management from an array of lesser banking outfits, into a cabalistic handful bent on profiting off the global economic showdown and fixated on shaping the future of the financial world on their terms.

Secondly, there will be countries who are concerned enough with the injustices of the prevailing monetary order, to have taken proactive strategic steps to divorce itself from reliance upon an unlevel and unfair currency playing field. These are countries who have sufficiently substantial market and military clout in order to enable them to take measures without fear of political repercussions from the crowing countries defending the current order. Through measures of divesting their reserves off overvalued currencies (such as US dollars) and accumulating real wealth in solid assets that will be able to withstand any valuation manipulation (such as gold), they will build a strong resistance in facing the coming onslaught and will be able to hold their ground in the gigantic seismic shifts facing the monetary system and markets. However, not many countries in the world can demonstrate this ability, and only a handful of them have steadily taken this route – China and Russia included, in order to prepare themselves for a very uncertain future. To a certain degree, they will be shielded from the sheer shenanigans of the technological terror described above, as their holdings in artificial assets will have been reduced by then and the hard assets they will eventually hold are less prone to digital devaluations.

From the corpse of crumbled economies and collapsed currencies around the world, two scenarios of surviving holders of value would emerge. On one side, the advanced banking entities powered by technologies and operating in defiance of national boundaries and interests will hold sway over assets and securities that has retained values throughout the crash, effectively becoming the new sovereign trusts of wealth upon which decimated countries will depend upon to rebuild their economies. On the other side, those politically astute countries (and to a lesser degree, small pockets of renegade people in other countries who foresaw the incapacity of their governments to defend their economic situation) that have managed to divest stakes from immaterial assets into real 'hard' commodities with intrinsic values, will constitute a viable section of independent owners of wealth with a newfound freedom from the renewed hegemony of an evolved banking network. The biggest losers from the outcome? Those will be the ones left holding what will become eventually worthless currencies and even lesser worth securities, with no way out from their predicament, their only recourse is for a reset of their monies and markets to begin anew, at the cost of being subservient to their new masters, the surviving bankers.

Thus after the biggest forfeit of wealth in human history, a new dominion of control will emerge, as will a neoteric independent force of fringe wealth owners—the protectionist countries, and probably pockets of individuals—who will resist any revised form of financial dictatorship over their domain.

The Beginning of The Ending

As how the world has witnessed, not very long ago, the transition that took place from the global standard of British pound sterling and lesser equivalents, into US dollars and dozens of other nationalistic currencies moving in sync and by market forces (initially backed by gold, but subsequently floated freely as fiat currencies) – another change is taking shape. The worldwide financial reset following the death of the dollar will once again cause a major reorganization of the monetary order.

Although it would be premature to predict the exact shape and form of that new currency standard that will be introduced, it can be safely assumed that the advantages of technological superiority demonstrated in the dexterity of handling the preceding crisis by the select few banking institutions will make it mandatory for the new order to be tightly controlled by a regime of monetary policies tied to unified digital infrastructures throughout districts under a new dictate.

In other words, we might very well possibly see the introduction of a single standard of money which is virtually monitored in international movements by systems in place at all participating countries. Following the follies of the previous financial system allowing the vagaries that resulted in it winding up, the new monetary order will also undeniably require currencies to be based on a more solid footing of firmer principles, that would primarily disallow the free-for-all production (money printing) that have plagued the past, but instead be grounded in issues tied to tangible or at least technical limits. Individual countries subscribing to this order will no longer have a free hand in inflating (or deflating) their money supply, a devolved aspect of state sovereignty acquiesced by nations subdued – a mini model of which has transpired in the form of the Euro currency experiment for the Eurozone countries (although it differs due to intangible/unlimited issuance). To this effect, the accumulated wealth through the aforementioned forfeiture would logically form the base of a new currency issue, thus directly lending the powers of providence to the patrons of the new system – the very able bankers (and a sect of countries in cahoots with them) that have withstood the trials of financial tribulation through their technical superiority; they are thus the masters of a new dominion and the new monetary order.

Meanwhile, countries that have managed to preserve their wealth outside of this newly formed domain of control, and escaping the enfeebling end of the less fortunate countries, will probably create equivalent competing monetary systems, backed by tangible assets that they have retained in their respective economies – creating a force to reckon with, in their own right. Unlike the crippled countries that have been (re-)colonized under new financial powers, these fiercely independent countries forming a 'fringe force' have retained enough internal monetary clout and market might to sustain and survive the fall of fiat currencies, emerging as standalone states with possibly new national currencies. These countries would also eventually ally between one another for political support and relevancy at the international stage, in direct contrast to, and counterbalancing, the new dominion. It remains to be seen, however, whether the internal monetary management of these independent countries continues to be under the control of political power players who have managed to steer their countries during the crisis, or be decentralized to commissioned institutions with sufficient oversight on monetary matters, yet not as empowered as the financial oligarchs of the new dominion. What is certain is that, from the lessons learnt of the previous financial crisis, a new model of markets will certainly emerge – one that prevents the practice of uncontrolled excesses of the past, and puts in place measures of managed movements and trades in markets.

Duel of Dominions

Yet, in a globalized economy of supply and demand, the fringe forces would eventually necessarily need to re-engage in commerce with countries under the new monetary order of the new dominion, thus requiring a mirrored mechanism of exchange based on mutual consent. The rationale to this reciprocal arrangement is borne more out of a need than an act of benevolence, as the new internationally disparate financial systems will have to reconcile at a middle ground in order for transactions to take place. The parties will ultimately agree upon a system that is based on a measurement of wealth accepted by all sides, which almost always falls back to solid assets or commodities such as gold, in lieu of immediate recognition of competing currencies created post-collapse. Payments, or rather, the balance of payments, between these countries, will be settled in secure accounts denominated in solid assets that can be verified and transferred as and when necessary between the countries without the fallback to fallible systems of corruptible representational receipts (avoiding distrust; the very downfall of the 'gold standard' that forced the decoupling of the dollar from gold).

A Civilizational Constant

So, and in spite of the conflicts of competing financial orders of the new dominion versus the fringe forces, the resumption of international trade will thus be made possible between the two sides, through the global return of exchanges into, once again, what was essentially the base universal measure of wealth – gold, as a constant of civilizations.

And thus from an extended experiment in monetary systems throughout the brief age of the broken fragments of banking, we will finally witness:

The Great Reversion

- End -

** Humpty Dumpty is a depiction of the fragile banking cabal's monetary order, perching atop a wall of 'suppressed bullion bars in a state of disuse' – wealth of the people, held back by pretentious force. The eventual fall (failure of the system) from an attempt to dominate from artificially inflated lofty heights broke it beyond repair; and no government bureaucrat nor institution could fix the farce of a dysfunctional financial fallacy.*