

First Step: Our Constitutional Convention considered two grand themes on humanity: First, whether mankind could be self-governing. This "American experiment" is still in doubt because of the way the Convention mishandled the other grand theme over the nature of money.

They met from May to September 1787 but the money subject didn't come up till August 16. Thomas Jefferson and Tom Paine were in Europe. Franklin was an authority on both governance and monetary issues, but was too infirm to even deliver his own speech at the Convention.

A curious book on money appeared, written anonymously by Calvinist clergyman John Witherspoon. The book attacked Government money and promoted Adam Smith's primitive view that money is gold and silver by weight. It stonewalled our hard-won colonial monetary experience.

The power for government to create money, long considered a necessary part of sovereignty, was already in the articles of Confederation, but the Federalists who were supposed to be trying to strengthen the federal government fought to exclude this crucial power from the new government, arguing that it could not be trusted with it! Some of them intended to get hold of the power privately as had been done in England.

THE SUPREME IMPORTANCE of understanding the nature of money now becomes evident: For if Money obtains its value from "intrinsic" qualities, it could be viewed more as a creature of merchants and bankers than of governments.

But if money's essence is an abstract social institution obtaining value through law, then it's more a creature of government and the Constitution had better deal with it adequately. Describing how a uniform currency is to be provided, controlled and kept reasonable and stable, in a just manner. The Constitutional Convention faltered on this crucial question.

The delegates accepted Smith's primitive concept of money and didn't firmly place the money power into government's hands, leaving it ambiguous. Later the delegates would argue over what they did monetarily.

But the Power would still exist. What I'm suggesting is that human affairs require government to have four branches, not three; the fourth branch, not three; the fourth to administer the money power. The Constitution left the money power up for grabs. Alexander Hamilton wasted no time in grabbing.

The Second Step was The Bond Theft: The Constitution went into effect in late 1789. Hamilton's first move as Secretary of

the Treasury was to assume \$15 million of the old state debts...an extremely unpopular act. WHY?

The worthless debt was held by the revolutionary soldiers, farmers, manufacturers and merchants who furnished its supplies. As Congress secretly passed the bill behind closed doors, the country was overrun by speculators, buying up the certificates for pennies on the dollar.

THIRD STEP: NEXT HAMILTON AND ASSOCIATES, having kept the monetary power out of govt, moved to assume it themselves. Arguing that the Bank of North America was only a Pennsylvania state bank. Hamilton suggested that it come forward if it wanted to alter itself for the national purpose.. It was the only bank in the U.S. being formed on Tom Paine's initiative to help the revolution. Curiously, the Bank of North America took no steps toward this obvious increase in profit and power.

Hamilton's Federalists quickly put through legislation chartering the First Bank of The United States, as a privately owned central bank on the Bank of England model. The Bank would be issuing paper notes not really backed by metal, but pretending to be redeemable in coinage, on the one condition that not a lot of people asked for redemption! They never had enough coinage.

Thus the real question was whether it would be private banks or the government that would issue paper money. Will the immense power and profit of issuing currency go to the benefit of the whole nation, or to the private bankers? That's always been the real monetary question in America.

Gold and silver served as a smoke-screen. What the bankers counted on were the legal considerations of the money.? They knew that all that was needed to give their paper notes value was for the government to accept them in payment for taxes. That, and not issuing too excessive a quantity. Under those conditions the paper notes they printed out of thin air would be a claim on any wealth exiting in the society.

And we see why the Bank of North America was not put forward for this purpose: the U.S. Government had owned 60% of it. Thomas Willing resigned the Presidency of the Bank of North America, to become President of the first Bank of The U.S. The government would only own 20% of the new bank.

Just where did the money for first bank of the U.S. come from? Remember the bond theft? The \$10 million subscription for the banks' shares was oversubscribed within 2 hours. Only 1/10 of it was ever paid in gold. The rest was accepted in the form of bonds — the government bonds that Hamilton's Federalists had turned from

pennies on the dollar to full value. So the money for the private bank actually came from the American people.

Even if the bank had "faithfully" stuck to gold and silver, the nation's monetary power would still have been alienated to the east - to the European holders of those commodities. Same people we'd just fought the revolution against! Thanks partly to Jefferson's efforts the bank was liquidated in 1811, when its charter expired. Three quarters of it was found to be owned by English and Dutch interests.

So in the trickery used to start the bank, Would you blame the "government" or Hamilton's crowd?

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HOW PRIVATE CENTRAL BANKING STARTED IN AMERICA IN THREE STEPS

Re-Imagining Economics