

## Ellen Brown *'The Public Bank Solution'* Book Review by Tony Crawford

*'The Public Bank Solution'* subtitle, *'From Austerity to Prosperity'* is an outstanding history of money, notable bankers through the ages, and banking methods behind and beyond the 2008 Global Credit Crunch. The writer is Ellen Brown J. D., US Attorney, president of Public Banking Institute and author of several books.

If my postgrad professor had wanted a *'The Public Bank Solution'* book report for a scholarly grade, a study of money according to Ellen Brown would have changed my life. I would have become wary of bankers knowing they had subjugated financial institutions at home and abroad, as well as plundered vanquished banks of war conquered nations. I would have known more about bank moneymaking schemes, and how to avoid debt to avaricious people with insatiable greed for money and abnormal hatred of parting with it.

Ellen Brown is a must read for anyone wanting self-preservation in a seriously tilted world for bankers.

The author analyzes money that unfolds in marvelous detail of what filthy lucre is, and where it goes. A review by way of an introduction might caution, *"Don't tell me the ending."* But in this case, the author has written for people like me... that we might never know what's been missed, until it's gone, in the last chapter.

Brown's book paints a picture of a most government subsidized industry on the planet. Politicians of all stripes appear to champion capitalistic private banks over altruistic public banks. It is a study of socioeconomic trials of national monetary policy under constant pressure from international banks for a new world order. It sets public and private bankers apart like *'Jekyll and Hyde'* split personalities: Publicly-owned banks operate in the public interest by law; privately-owned banks make and use law solely for purpose of privatized gains from socialized losses that governments seem willing, if not willful, to bestow deficit economies upon its taxpayers.

The volume starts with an overview of how banks work and where money earned as wages duly taxed comes from. Ancient clay tablets counted transaction types in trade as the first evidence of money long before metal coins and papered credit to banknotes. China used papered notes as money since the tenth century that Marco Polo described from his travels in the Orient. England had a wooden *'Tally Stick'* version of money that was used to settle tax as duty owed King Henry the First around the twelfth century. Money emerged as coins and banknotes across Europe that banks portrayed with sovereign face-value received from credit in numbers counted as money that bankers lent to agreeable debtors.

The book describes a bank revolution that started with Italian zero-balance double-entry bookkeeping invented in the thirteenth century that became standard practice across Europe in the fifteenth. Positive numbers for bank deposits were counted to balance with a zero difference to negative numbers for bank overdrafts secured by gold in reserve. Credit used was reckoned as money from debt that charged interest for the cost of money. Fudged numbers spawned more money from higher quotients of loans to deposits. Savings on the credit side were bank liabilities that paid interest on principal until paid out, on demand. Loans on the debit side were bank assets that charged interest terms and conditions until principal collected in, on demand. When credit exceeded deposits it magically created money from a less than zero negative difference that was a breach of protocol. Indeed, bankers who were tempted and failed to collect debt as money were sent to jail and even hanged for not holding deposits in full reserve, which was gold in those days. Italian banks also developed Bills of Exchange that any person with adjudicated credit could order another person, or a bank, to honor a signed note, dated and filled out for money to pay a third party. The medieval system of cheques that moved paper instead of gold became accepted as currency. It involved a central clearing function to balance credit carried in trust between banks. The benefit of personal credit added to the money supply stimulated trade and economic growth. The *'Checkbook Money'* system allowed people to handle IOU promises as if money. The more personal credit, the less physical gold banks had to move in trade. It meant holding less precious metal in bank vaults than total deposit value. The bank crafted number was an increased ratio for a lower so-called *'fractional reserve'*.

Banking methods spread further afield and credit crossed international boundaries that made products and services in multiple currencies to manage. The Bank of Sweden created the first private Central Bank under government control in 1668. The UK government followed in 1694 with a charter that financiers could operate the Bank of England as a private Central Bank authorized to print national banknotes as legal tender. The UK was the first government to carry national deficits to private creditors funding war from never-ending debt that taxpayers paid interest on permanent loans constantly rolled over in perpetuity. English Law was the first to enforce *'fractional reserve'* that the Central Bank could print more money than gold its notes promised to pay all its bearers on demand. Westernized nations adopted similar rules in Bank Acts round the world.

In Europe, France created a Central Bank in 1803 and sovereign nations did the same through the nineteenth century. In the USA, President Taft authorized income tax and President Wilson saw the Federal Reserve Bill into law in 1913. In 1929, a Central Bank was created to handle First World War reparations called the BIS - the Bank for International Settlements. It still watches over national Central Banks that oversee domestic banks. Money was pegged to a *'Troy ounce'* of gold from 1944 until 1971 when US President Nixon removed the US Dollar from the *'Gold Standard'*. The USA pushed all reserve currencies into *'fiat'* money that paper as money the world over became legal tender only due to a Latin meaning for something done, *'fiat - let it be'*.

Modern banks continue to use four hundred year old medieval math with ever increasing computer lightning speed and massive volume. The author reviews the actions of the BIS, FSB - Financial Stability Board, and IMF - International Monetary Fund as *'exotic'* derivatives emerged from deregulation until the largest seizure in 2008 of a global financial conduit in history. Layers of governance and political spins give an impression of control for public good, but the writer is not optimistic about public banks in the big picture.

*'The Public Bank Solution'* is a compelling read about the dark secrets of banking. Brown dispels any doubt that public banks differ from private banks with clear examples. North Dakota is the only state that owns its own bank in the USA. Its monetary policy saved it from worsening debt in the financial crisis in 2008. But not so the Bank of Canada, which is the only publicly-owned Central Bank in the G20. Quote Page 204: *"... private banks create the money they lend just the same as public banks do. The difference is that a publically-owned bank returns the interest to the government and the community, while a privately-owned bank siphons it into private accounts, progressively drawing money out the productive economy."* 1974 saw the end of Canadian self-funded credit to print its own money when the BIS established *'Financial Stability'* policy that all governments must borrow from private global banks. Quote Page 207: *"Thus in 1993, 91 percent of the debt consisted of interest charges... By 2012, the government had paid C\$1 trillion in interest - twice its national debt."*

Brown's history of finance reads like a crime novel that ends with the biggest heist in the world. UK Barclays Bank denied criminal acts in the LIBOR - London Interbank Offered Rate scandal that it rigged the cost of money to profit from so-called *'exotic'* financial products. The innovation of notional value received from imaginary credit in the workings of mortgage derivatives triggered financial ruin at the turn of the twentieth century. It is not fiction. World governments recapitalized banks in debt to trillions at taxpayers' expense. Nonfiction starts, quote Page 25, *"The shadow banking system has allowed the private expansion of credit by piling debt upon debt in a fragile house of cards that is mathematically unsustainable. Operating outside the prying eyes of bank regulators, the shadow system allows credit to be generated without regard to capital requirements, reserve requirements, or the need to balance loans (assets) against liabilities (deposits), as conventional banks must do."*

Doing as conventional banks must do is a distant thing of the past. Ellen Brown has written a fascinating book that was a gift to me. I can't pass it on. It's a constant reminder of usurism I can't believe is banking. My volume is reread, dog-eared, coffee stained, and splotched from felt-tip markers. If I meet the author, I want it signed, *"To Tony, Canadian citizen and proud owner of the Public Bank of Canada"* Ellen Brown.