<u>'NATIONAL DEBTS' and BILLS of EXCHANGE: C18th LONDON</u>

In Thomas Mortimer's highly recommendable *Every Man His Own Broker* from 1761, we are given insights into the nature of banking and commerce at the time. By mid C18th, the Bank of England had been operating for over 100 years, acting as 'transfer agent' for the abstraction of 'national debt' or 'the funds' as it was known at the time. It's worth highlighting how 'national debt' came about. Prior to such a concept, the only form of 'national debt' was 'the king's debts.' To hold 'the king's debts' was considered an honour, certainly marketed as such. The 'value' of these debts was solely dependent on 'the king's taxing ability' and theft from war. Such an abstraction was the basis for 'national debt' – merely extending this practice of holding 'the king's debts' from 'the privileged' to all.

- 'National debt' was marketed as if '£100 of the funds' was similar to 'ten pounds of peas' or 'one pound of silver'…!
- 'National debt' was increased by 'grant of Parliament' to raise supplies for 'carrying on the war.' When 'the Parliament' voted these supplies, subscriptions were opened to the public.
- The exchange and subsequent flow of *real* money, i.e. coins of gold and silver, for this subscription allowed for wars 'to be carried on.'

With the help of 'government,' 'national debt' could be 'bought and sold at market' as if this abstraction were as real as 'ten pounds of peas.' As these abstractions could be bought and sold against gold, and 'paid interest' in gold, they were viewed as if they were gold by the public. Of course, such a view was, and is, a nonsense. With this degradation in monetary practice to dealing in abstractions for funding utter violence or 'carrying on the war,' how would proper banking establish itself? Mortimer gives us a clue in his description of the origin of banking:

The art or trade of banking was brought over to England by foreigners; and some authors say, by Italians. The common business of these bankers was, the exchange of bills for money; whether these bills were inland, or foreign, which exchange, in case the bills were inland, was then, and is still termed, Discounting of bills. But when the bills are foreign, they are called bills of Exchange; because they are current in trade, and as good as cash, allowing only the common course of exchange betwixt the value of specie in different countries, where the drawer, and the person drawn upon reside; and bankers being supposed to have a general correspondence in the commercial world, bills of exchange passing from one nation to another, most properly fell under their cognizance, as being the most convenient to them, who might frequently have occasion to remit money to several parts, in place of which, they could more profitably substitute these bills of exchange…

Mortimer is explaining here that 'bankers' traditionally bought and sold 'bills of money' for money – 'national debts' weren't in their thoughts. However, 'governments' with their 'law-making Parliaments' speaking from their ziggurats had other ideas for bankers. From the time of Thomas Mortimer, we have taken this 'idea' of 'national debt' to a level that he could have never comprehended. Abstractions of 'national debt' are today traded against abstractions of 'quantities of units of value' or 'quantities of fiat.' Thomas Mortimer probably wouldn't be able to get his head around that.

When bankers dealt in bills of exchange back then, they had to be aware of 'the government's' interference with public coinage of that 'nation;' not only in metal content but also in ratios of exchange 'fixed by the government' between coinage of different metals. For example, in Austria, 1799, '3 kreuzer' coins were made of 17g copper and thalers ('120 kreuzer') were made containing 0.75oz pure silver. 'The Austrian government' fixed the silver/copper ratio in their coinage at c.1/29. In contemporaneous Britain, 60 'pennies' of 18.5g copper each 'equalled' to one silver crown containing 0.90oz pure silver. 'The British government' fixed the silver/copper ratio in their coinage at 1/39. Neither 'the British government' nor 'the Austrian government' had 'open mints' to unhindered coinage in any metal.

Why would any 'government' attempt to manipulate exchange ratios between metallic coinage? During Mortimer's time, 'working classes' were paid in 'lower denomination' coins of copper and silver over 'higher denomination' gold coins. 'Corporations' at this period of time were nothing more than 'government approved' entities 'authorised by Act of Parliament.' 'Corporations' at this period were nothing more than extensions of regal fiat. Those working 'for corporations' in various capacities weren't treated as if this assemblage was mutual. Timetabled 'working hours' and other such abstractions were born during this period. What better way than to have a much larger 'workforce' than would otherwise be by employing payment in 'lower denomination' coins – which can only be created by 'Acts of Parliament?' If the free market silver/copper ratio is 1/100, then 'fixing' a ratio at 1/39 in 'legal coinage' brings in a much larger paid 'workforce' than would otherwise be the case †. Not long after Mortimer's book was written, the majority of 'working' Britons were in squalor, poverty for the so-called 'industrial revolution' being pursued by Britons' capital[fiat]ist overlords.

Outside of monitoring manipulation in public coinage by 'governments' and politicians, would bankers play a role in (reformed monetary) society? Offering to exchange our money bills for money on a mutual basis is of enormous benefit to society, for it 'speeds up' circulation of money. Being able to send coins, where before you couldn't, is only possible with bankers dealing in bills of exchange for coins at various locations and times. Being able to communicate with people in Tokyo is fine but being able to send coins to them as required *without* necessarily commissioning a specific voyage is only possible with bankers: dealers in bills of exchange and their associated networks.

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† Periodic 'shortages' of small denomination coins occurred in all 'nations' with a fixed-ratio coinage system and 'closed mints' for 'lower denomination' coinage. These 'shortages' were alleviated by printing paper receipts for 'lower denomination' coinage that would be 'extinguished' at the next session of coin minting, only approved after 'Act of Parliament' or 'legal' equivalent.