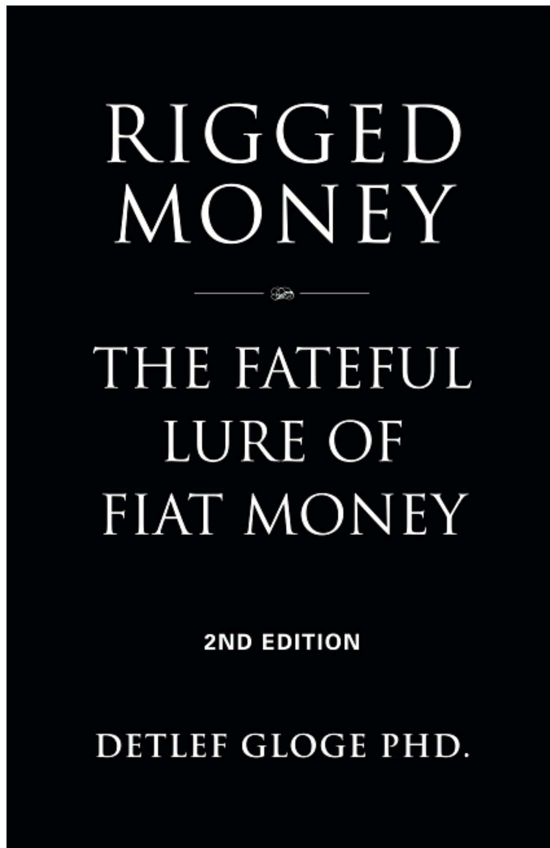


This book explains how the banking cartel and the Reserve seize the wealth of society's most vulnerable members to create fiat money. Such unimpeded bank credit offers the government a convenient source of unlimited borrowing and spending.

Rigged Money: The Fateful Lure of Fiat Money - 2nd Edition

By Detlef Gloge PhD

Order the book from the publisher Booklocker.com

https://www.booklocker.com/p/books/13558.html?s=pdf

or from your favorite neighborhood or online bookstore.

RIGGED MONEY

THE FATEFUL LURE OF FIAT MONEY

2ND EDITION

DETLEF GLOGE PHD.

Copyright © 2024 Detlef Gloge PhD

Print ISBN: 978-1-958892-82-4
Ebook ISBN: 979-8-88531-742-9

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, recording or otherwise, without the prior written permission of the author.

Published by BookLocker.com, Inc., Trenton, Georgia.

BookLocker.com, Inc.
2024

Second Edition

Library of Congress Cataloguing in Publication Data
Gloge PhD, Detlef
Rigged Money, 2nd Edition: The Fateful Lure of Fiat Money
by Detlef Gloge PhD
Library of Congress Control Number: 2024909166

Disclaimer

This book details the author's opinions about economic subjects. The author is not a licensed financial consultant. The author and the publisher make no representations or warranties of any kind with respect to this book or its content. The author and the publisher disclaim all such warranties of financial advice for a particular purpose and don't warrant that the information accessible via this book is accurate, complete, or current.

Please consult with your own certified public accountant or financial services professional regarding the suggestions and recommendations made in this book. Neither the author nor the publisher will be liable for damages arising out of or in connection with use of this book. This is a comprehensive limitation of liability that applies to all damages, including (without limitation) compensatory, direct, indirect, or consequential damages; loss of data, income, or profit; loss of or damage to property; and third-party claims.

You should understand that this book isn't intended as a substitute for consultation with a licensed financial professional. This book provides content related to topics on finance and economic living. As such, use of this book implies your acceptance of this disclaimer.

Table of Contents

About the Book vii
About the Author ix
Preface: The Coup of the Century 1
Part One: The Money Game 5
Chapter 1: Market Laws 7
Chapter 2: Manipulator in Chief 13
Chapter 3: Money Out of Thin Air 19
Chapter 4: Managing Growth 23
Chapter 5: Casino Speculation 27
Part Two: The Merits of Sound Money 31
Chapter 6: The Post-Civil-War Era 33
Chapter 7: The Growth Dividend 37
Chapter 8: Fair Factor Allocation 41
Chapter 9: The Key to Productivity 45
Chapter 10: Business Cycles 51
Part Three: Money Wars 55
Chapter 11: Race to the Bottom 57
Chapter 12: Regional Wealth Gaps 61
Part Four: The Need for Reform 65
Chapter 13: Fiduciary Neglect 67

Chapter 14: Financial Anarchy 71
Chapter 15: Warning Signs 75
Chapter 16: Debt and Delusion 79
Postscript: Fighting the Fiat Fate 83
Bibliography 87
Notes 91

About the Book

Money injected into the economic process behaves in rather logical ways. Bankers know this but won't tell you. Read the stories in this book. Over time, for example, money adjusts to the things we trade. If the Federal Reserve (the Fed) prints more money than we trade, inflation destroys existing purchasing power, your wealth and mine.

Often, the Fed prints excess money to assist the government, which likes to borrow but hates to pay interest. The Fed then charges the government an interest rate equal to the inflation rate. The result is that your wealth and mine pays the government's interest. It is a kind of excess tax you and I don't know about, $1.3 trillion during the last two decades.

What is more, the government's debt loses purchasing power equal to the inflation rate. That means if the government ever pays its debt, it will repay $1.3 trillion less than it borrowed. Don't think the government is the Fed's only preferred client. This book also explains how the elites grow rich while middle class living standards decline. Or find out how the Fed counterfeits mouse-click money on its computers.

About the Author

Rigged Money is provocative, incisive, and honest. The author is concerned about wealth inequality, debt, stagnation, and the growing crescendo of public frustration with U.S. monetary policy. Observing the increasing deluge of money, he is appalled by government expansion and how inflation despoils the most vulnerable in society. He traces these conditions back to the 1913 banking reform, which upended the Founding Fathers' constitutional mandates.

The author has maintained an uncompromising independence from the dissonance and confusion in the economic field. His common sense and independent mind stem from his training as a PhD in engineering and mathematics. Six dozen publications and patents bear his name. The Bell Laboratories team that he led deployed the first prototype Internet links. He is a fellow of the U.S. Engineering Society and a member of the National Academy of Sciences.

The book's objectivity is a refreshing contrast to mainstream duplicity on this subject. His lucid arguments contrast with the usual academic jargon and sophistry, so they should appeal to anyone with common sense and social awareness. The author explains the founders' constitutional concept of sound money, how citizens have twice impelled the U.S. Congress to adhere to it, and why the time has come for another regress.

The author's accomplishments have shaped his desire to join those who openly express their concerns for our future and recommend changes. The themes he highlights in this book are a progression from his earlier books, *How Not to Make Money, Money Forensics,* and an earlier Edition of *Rigged Money.* This book is his most unreserved, candid exposition of the surreptitious harm and inequity inflicted on society by fractional reserve banking and fiat money.

Rigged Money is for those who care about the future of the United States. It's also a wake-up call for politicians who keep looking the other way while monetary malpractice is tearing the country apart. The author concludes the book with recommendations for the changes that the U.S. must make to remain a leader in a changing multipolar world.

Preface:
The Coup of the Century

The American colonists resented British banking practices, and some left England for this very reason. Thomas Jefferson wrote to a friend*: And I sincerely believe with you, that banking establishments are more dangerous than standing armies and that the principle of spending money to be paid by posterity under the name of funding is but swindling futurity on a large scale.* [1]

In Britain, currency debasement and inflation had caused egregious wealth inequality. The Bank of England rigged the currency by counterfeiting paper notes. English administrators even tried to affect the Revolutionary War by counterfeiting the colonists' *dollars*.

The Founding Fathers considered counterfeiting a crime as heinous as treason. They wanted sound money to be freely available to all and wrote in the Constitution*: No state shall make any Thing but gold and silver coins*. Yet today, U.S. wealth inequality and contempt for the underclass are no different than they were in Britain.

When Congress chartered the First Bank of the United States, Jefferson wrote: *The Bank of the United States is one of the most-deadly hostilities existing against the principles and form of our Constitution.* [2] The bank existed only from 1791 to 1811. Congress chartered the Second Bank of the

United States in 1816 but abrogated it in 1836 after its note issuance caused the Western land rush.

The Civil War finally compelled the U.S. to pass the Bank Act of 1863, which abandoned sound money, introduced reserve banking, and the printing of paper notes, which created the exorbitant quantities of money needed for the war. Congress also introduced the income tax and a harbinger of the Secret Service, which tracked down nongovernment counterfeiters. As had happened in Europe, wars relinquished sound money and sound banking.

Nearly 50 years later, the 16th Amendment codified the income tax, and the Federal Reserve Act legalized peacetime reserve banking. In so doing, the 1913 coup, which legislated today's U.S. money and banking, overstepped constitutional restrictions on federal authority—the General Welfare Clause and the Commerce Clause—which specifically limited these authorities to the states.

The result was a banking cartel and a central bank which bankers named the *Federal Reserve*, implying that it served the public, rather than the bankers who profit from it. In short, they established a system that the founders had vowed to avoid.

It turned out to be an easy con: Bureaucrats and politicians were caught off guard; Congress ignored its constitutional responsibilities; and the 1913 Federal Reserve Act left Americans in the dark about bankers' intentions. As John K. Galbraith remarked: *The study of*

money, above all other fields of economics, is the one in which complexity is used to disguise the truth or evade the truth, not to reveal it. [3]

Since then, economists have been flocking to the Federal Reserve's Eccles Building in Washington. Ryan Grim writes: *The Federal Reserve, through its extensive network of consultants, visiting scholars, alumni, and staff economists so thoroughly dominates the field of economics that real criticism of the central bank has become a career liability for members of the profession.* [4]

The *Roaring Twenties* provided the first sign of the money deluge to come when American loans for World War I opened the floodgates for money creation. Offshore banks later added trillions of Eurodollars. By the '70s, the dollar was a fiat currency backed by nothing but faith and trust in the Fed and the government. All currencies floated freely. The world's central banks started the *race to the bottom* by debasing their currencies and flooding the world with credit.

Today, sound money based on a stable money supply no longer exists. Banking cartels worldwide create abundant fiat money, which enriches bankers, impoverishes cash users, and thereby destroys the social fabric. Past periods of the gold standard are evidence that only the enforcement of sound money guarantees healthy economies and societies.

Many Americans consider money creation a legitimate right of the banking profession. Technically,

however, money creation is a form of counterfeiting, which infringes on citizens' property rights.

Part One explains how money should and shouldn't be used, starting with counterfeiting. Chapter 1 introduces sound money as the legitimate basis for all commerce through the example of Say's law. Chapter 2 asks why free markets need a Federal Reserve that dictates interest rates. Chapter 3 examines the creation of money through fractional reserve banking. Chapters 4 and 5 explain how banks abuse money and profit from it.

Part One:
The Money Game

Valid banknotes have an intrinsic value equal to the goods and services for which the banknotes can be exchanged. Thus, the intrinsic value of a nation's money supply varies with its tradable wealth. Production and thrift increase intrinsic value, while consumption and waste dilute and debase it.

The U.S. government's Bureau of Engraving and Printing prints banknotes, and the Federal Reserve authorizes the printing and issuing of these notes, which are marked *Federal Reserve Notes*. The Fed also creates money by computer keystroke which is equally valid and interchangeable with Federal Reserve Notes.

Neither action adds wealth or intrinsic value to the money supply. The outcome is therefore that the money creation dilutes and debases the existing money supply and that money holders suffer price inflation and purchasing power loss—albeit with a delay of a year or two.

Thus, the Fed counterfeits money into existence. Today's money game is played with fiat money, which imposes no constraints on the Fed's counterfeiting, so it depends entirely on the Fed's activity whether the Fed sustains or destroys trust in today's fiat dollars.

To prepare the reader for what Galbraith calls *disguising or evading truth about money*, the next two chapters illustrate some of the complexities of money creation. Chapter 1 examines inflation, money debasement, wealth inequality, business cycles, recessions, debts, and depressions.

Chapter 2 focuses on the Federal Reserve, which originally was meant to serve as banks' lender of last resort, and now uses its power to counterfeit money and dictate the nationwide cost of credit. Guided by the *Federal Open Market Committee* and goaded by government fiscal policy, the Fed is the guardian of the trust in the fiat dollar.

With this background, Chapter 3 explains *fractional reserve banking*, a process that the Federal Reserve and its member banks use to expand the money supply and lend money to active borrowers who circulate it in the economy.

The remaining chapters of Part One demonstrate why and how the banking cartel forged in 1913 has gone so spectacularly astray. Part Two argues how sound money could save nations from the present calamity. Part Three focuses on how money affects global relations. Part Four examines present banking and government practices, why fiat money is provoking a dangerous path, and what the U.S. must do to preserve its financial health.

Chapter 1:
Market Laws

To understand how money circulates in markets, imagine a barter market: A group of traders offers people promissory notes that people can use to browse among the group's products. The traders specify the notes' value. The choices and flexibility that this idea offers give the group an advantage over their competitors' barter trades.

Similarly, today's markets use money notes, which circulate and are reused after a given turnover period. Producers try to sell what they have produced during the turnover period. They set prices so that people's incomes earned during the turnover period cover the sales. The process works because consumers and workers are the same people, participating in production or supplying resources to it. Therefore, their earnings (producers' costs) provide income to purchase production.

The Frenchman Jean Baptiste Say was the first to describe this process. It's now called *Say's law,* a maxim of classical economics. [5] The law governs all commerce based on so-called *sound money*, whose aggregate quantity and unit value is immutable.

When banks add money, they change the quantity and dilute and debase all existing units. They add money out of concern that money scarcity might slow commerce. Keynes, for example, called for banks and governments to inject

money whenever economic demand weakens. Yet there are other views. Murray Rothbard wrote, *there is never a social need for banks to increase the supply of money.*[6]

The fact is that the money supply can shrink and expand over a certain range without upsetting the economy because people always hold a cushion of liquidity as a buffer. On the other hand, banks' excessive and rapid money expansion causes credit booms and asset bubbles, and intense money shrinkage leads to insolvencies and domino chains of bankruptcies which end in debt and deflation.

For example, during the post-Civil-War era from 1865 to1879, authorities shrank the wartime money supply. Wealth grew, prices fell, and purchasing power increased, earning everyone a salient growth dividend. Chapters 6 describes the era in detail: U.S. growth was the highest in the Republic's history.

Milton Friedman and Anna Schwartz wrote: *From 1865 to 1879, the price level fell to half its initial level, and [US] economic growth proceeded at a rapid rate. This coincidence casts serious doubts at the validity of the now widely held view that secular price deflation and rapid economic growth are incompatible.* [7]

The *widely held view* to which the authors refer is the banks' claim that deflation increases the risk of loan defaults and that banks must create money until deflation turns into 2% inflation. This action shifts the growth dividend from the public to banks and increases bank lending, bank profits, inflation, and U.S. wealth inequality.

Richard Cantillon describes inflation as follows: *The first to use new money are not affected by inflation but incite it to harm everybody else*.[8] His point is that early bank borrowers invest in capital assets at uninflated prices, but the accruing inflation later debases unsuspecting consumers' cash.

The government has a bureau that monitors basic consumer prices. Accurate inflation indices are based not only on these prices, but also on asset prices, taxes, credit, mortgage debt, insurance, and other costs, to name just a few. The bureau's policy since 1983 has been to select and adjust input data that understate the published inflation index. [9]

Banks use the bureau's inflation index as their inflation target. Because the bureau understates the index, banks create more than 2% inflation to match the understated index value at 2%. Hence, accumulating inflation grows for years at more than 2% while the public is fed the 2% myth.

To beat inflation, the rich buy assets, which retain their value. Hence, asset prices rise as the currency loses value. Some invest in productive businesses and amass fortunes. But those who earn and spend their cash just see their own incomes shrink.

The top 1% own 34% of U.S. wealth.
The bottom 50% own barely 2.6%.

America's growth dividend could have enriched the entire population, but bank money caused contentious

wealth inequality which slowly crushed people's faith in prosperity and the American dream.

Murray Rothbard and the American founders believed in the advantages of sound money, which had served America well during the first century of the Republic. By 1913, U.S. industrialization needed a centralized money-clearing system. It seemed therefore reasonable to adopt the fractional reserve system of the Europeans, which networked all banks in a cartel, as Chapter 3 describes in detail.

This meant adjusting to money debasement and inflation. These distortions affect the entire economy—not just consumer goods and services, but all assets, real and financial. Debasement meant that a dollar earned 50 years ago is today worth a few cents. Saving for old age has become a fool's errand.

Governments have many ways of using inflation to exploit their citizens. Nations build industrial capacity, underprice exports, or undermine competitors' industries by debasing their citizens' money. **Chinese Premier Deng Xiaoping was so impressed by the Western banking approach that he made it the centerpiece of Chinese state capitalism in the 1980s.**

Banks have a long history of taking advantage of people's money. When people tried to protect themselves by using precious metal coins, banks offered to hold the coins in custody and issued more paper notes than they had coins in custody. This abuse led to the *gold standard*, which

limited money creation to a nation's gold ownership, a limit which confined money creation to sound money.

World War I ended the gold standard. The U.S. devalued the dollar, confiscated its citizens' gold, and declared the gold-backed dollar the global reserve currency. [10]

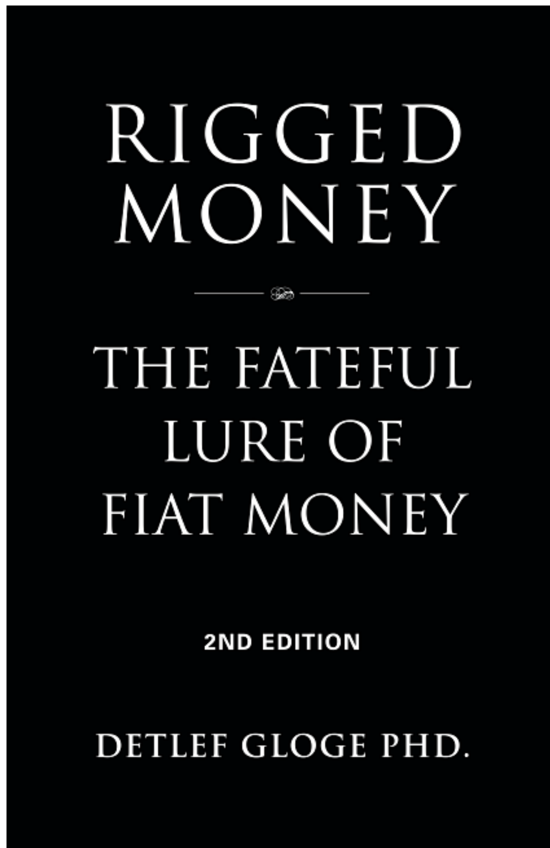
When the U.S. defaulted on its gold redemptions in 1971, it turned the dollar and all other affiliated currencies into ***fiat** money* whose value depends entirely on the issuing nations' ***inclination to fiat (create)*** money. The U.S. maximizes its latitude to create dollars by rewarding nation, such as the OPEC members, to use it for trading. Their use created the nickname *petrodollar*.

The global dollar trade was a boon for U.S. banks, because it accelerated money growth and bank profits. But as Americans borrowed to buy foreign goods, the growing imports slowly crippled U.S. production and employment.

Thus, U.S. conditions deteriorated. Prior to 1913, Americans had owned their money, saved, invested, and increased productivity. Nobody inflated away people's wealth or bootstrapped prices to capricious levels. People lent their savings to those who produced more wealth. Today, repressive money rates, fierce bank competition, relentless taxation, and Keynesian prejudice against thrift have all but eradicated savings in America.

Corrupting money by dilution and expansion has various negative side effects. The next chapter adds to this list by explaining how after 1913, banks surreptitiously

usurped the money supply, skimmed funds from the productive sector, lured people into personal debt and financial dependence, and even coerced them to pay for the government's debt.



This book explains how the banking cartel and the Reserve seize the wealth of society's most vulnerable members to create fiat money. Such unimpeded bank credit offers the government a convenient source of unlimited borrowing and spending.

Rigged Money: The Fateful Lure of Fiat Money - 2nd Edition

By Detlef Gloge PhD

Order the book from the publisher Booklocker.com

https://www.booklocker.com/p/books/13558.html?s=pdf

or from your favorite neighborhood
or online bookstore.