

Economic and Financial Law & Policy –
Shifting Insights & Values 3

Koen Bytтеbier

The Tools of Law that Shape Capitalism

And How Altering Their Use Could Give
Form to a More Just Society

 Springer

Economic and Financial Law & Policy – Shifting Insights & Values

Volume 3

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*For Anne and Michel (+) Claeys,
For Padma and Giri*

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Chapter 1

Introduction



1.1 Fulfilling Man's Needs As One of the Main Reasons Why Societies Are There

Some believe that man has control over his fate.

When reflecting upon this thought more deeply, one could be inclined to reach the conclusion that this is at the highest true to some extent, but that over some of the most elementary facts of life, man has no control whatsoever.

One of the main such facts over which man has no control, is coming into existence itself. Clearly, on being born into this life as a human being, none of us has any say at all.

As soon as man comes to life, he has, furthermore, as little choice in building out his life, as he will need to do certain things in order to survive.

There are, indeed, some elementary acts that each of us will need to fulfil in order to continue our existence, going from feeding ourselves, to acquire some elementary shelter to be able to lead our life in a humane and dignified manner.

No human being escapes from this reality; and neither from the fact that, as a result thereof, from birth on, each man will have to devote a large part of his time in learning skills and fulfilling acts in order to meet these elementary needs.

In the course of history, this “basic struggle for life” every individual human being—and, by extension, every other form of life—is facing, has been one of the main driving forces for human action and, later on in history, for the way human societies got organized.

A further element entering the equation is that, the more human beings exist at the same moment in time, the more this struggle for life tends to become problematic. The reason thereof is – as the scientific discipline of economy holds as one of its most basic premises—that the goods that are available to fulfill man's needs are, by definition, scarce.

One could even hold that, although there is, obviously, nothing else there than nature itself to provide the basic tools for fulfilling man's needs, left to itself, nature would at present not be up to fulfilling this task, especially in light of the huge number of people that exist today.

Here, what is probably one of the most remarkable characteristics of man, comes in play, namely his ability to "work".¹

During the course of evolution, the human species indeed developed the skill to adapt nature so that it became better suited for fulfilling human beings' (many) needs. Implied is obviously the skill referred to as "working" or "laboring", which has allowed the human species to interact with most things that nature provides in order to magnify the extent to which nature makes it possible for man to fulfill as many needs possible in order to be able to survive.

As a result, the further course of man's evolution has been twofold: as man, through work, became more and more apt in fulfilling his basic needs, (rather unfortunately) at the same time, new needs emerged. An obvious example has been the development of ever more refined tools needed for "conquering" nature, so that other, more basic forms of work, such as working the land or hunting, could be accomplished in what became considered a more "efficient" way.²

Through this, man did not only start making tools, but moreover acquiring and/or possessing such tools became itself one of the newly developed needs of man.

As human societies became more and more complex, human needs became also more varied and complex, implying that also man's response to the question how to fulfill these needs had to become more varied and complex itself.

This became even the case to the extent that there eventually grew an increasing need for societal constructs ensuring that "work", basically a method of fulfilling needs, would be deployed in a sufficiently "efficient", but also "fair" way.

In light of the foregoing, one may, furthermore, observe that societies have throughout the ages developed in such a way that it has become as good as impossible for any individual human being to lead a life in which he would be able to take care of fulfilling his needs on a total individual basis.

In modern societies, one can indeed hardly imagine any single human still being able to lead his life in such a way that he will never have to use anything that any other man has helped producing.

To phrase this differently: living in a modern-day society by definition implies that one is part of a "group" of people living together and agreeing (in both explicit and implicit manners) upon task divisions that allow the fulfillment of human needs occurring in a purportedly more efficient manner than would be the case if every man would lead his life as an entirely solitary being.

¹This insight even reflects in the most early verses of the Bible that state that one of the first duties of man, after having fallen into sin, is to work. (See especially Genesis 3:17-19).

²Later on, tools for leisure got needed, as, becoming disturbed by an artificial life style of having to work all the time, the need of keeping oneself occupied during the ever more scarce moments of free time, gave birth to a wide variety of artificial cravings that, in present times, probably account for the majority of all economic activity.

Through this, (modern) man not only comes to live of no choice of his own, but moreover finds himself belonging to a society which is organized in such a manner as to help fulfilling man's needs as efficiently as possible.

Again, also here the same truth applies: at the start of his life, no human being will have had any say whatsoever on the outlook of the society of which he becomes a member as, indeed, at birth, hardly a single individual human being will have accomplished a single act that will have contributed to shaping the society he enters.³

On the contrary, society "is just there", with all its pros and cons, be it that, by growing up, man will be able to influence, to an ever increasing extent, the outlook of this society by the way he (inter)acts (with this society, hence with other human beings) himself.⁴

At least in an utopian society, there could, furthermore, be an expectancy that societal constructs would be such that access to fulfilling each individual man's needs would happen in a "fair" and "just" manner.

Although one may, obviously, debate on the exact meaning of abstract notions such as "fairness" and "justice", there is nevertheless an innate feeling present in man that this at least implies that access to the means of fulfilling one's (basic life) needs should be as equal as possible.⁵

As a result, man may have an expectation that he will have a sufficiently equal way of accessing what is needed to fulfill his needs as other people, and this thus the more as regards needs that are considered more basic than others.⁶

By extension, a fair and just society should make sure that all of its members have equal access to the means available for fulfilling their needs, implying that the deployment of human labor—which is basically undertaken to make the fulfilment of needs possible—should be organized in such a way that the fruits of the combined efforts of nature and labor become equally (hence: in a fair and just manner) accessible for all of society's members.

It is precisely here that the wide variety of societal constructs that have been thought up throughout the ages, comes at play, whereby looking at such societal constructs with an expectancy that society should be organized in a fair and just

³Not taking into account achievements of previous lifetimes in case reincarnation would be a reality.

⁴This truth beautifully resonates in the story "Symphony For A Seabird", as narrated by Osho (2015).

⁵One may, for instance, observe this innate feeling of fairness and justice with little children playing together who, in most cases, will make it very clear when they are treated in an unfair or unjust manner, for instance in cases when one child gets access to a certain toy or candy, while another child does not.

See furthermore OECD (2018), p. 11.

⁶When looking at some of the humanitarian disasters of our times, such as for instance the huge migration waves Europe has been confronted with during the past decade, from this angle, this presents a totally different approach than just considering one's fellow human beings that have to undergo such disasters as a mere nuisance (with is the approach deployed by some right-wing ideologies).

manner, implies that one may also expect of all these societal constructs that they would help in reaching this goal.

Provided that it would be possible to agree upon these starting premises, we shall hereafter, from the angle of both “law” and “economics”, address some of the main societal constructs that purportedly are there in order to accomplish these societal goals within the contours of the at present dominating socio-economic system on earth, namely “capitalism”.⁷

1.2 Further Scope and Methodology of This Book

In Chap. 2 of this book, some of the main societal constructs that have shaped the prevailing, capitalistic socio-economic order during the past two to three centuries, will be looked into.

Obviously, there are several ways to look at this variety of societal constructs, probably as many as there are (human) “sciences” investigating them.

In Chap. 2 of this book, the chosen way of looking at these societal constructs has mainly been one that combines the insights from both the (scientific) disciplines “law” and “economics”, as these are the disciplines with which the author of this book is most familiar.

The Chap. 3 of this book will revisit the doctrine of neoliberalism.

Although there is among some academics a growing awareness to what extent the implementation of the doctrine of neoliberalism in practice has, for some decades already, been reshaping societies all over the world in a most detrimental manner, a large part of the general public still seems to be hardly aware of this, or at least does not seem to care about it much.

Rather surprisingly, there is among the same general public, at the same time, a growing degree of anger towards some of the most disturbing consequences of the socio-economic order that is emerging by, in accordance with the doctrine of neoliberalism, making capitalism as “unbridled” as possible again⁸—such as a growing polarization between rich and poor, unfair tax systems and, obviously, climate change—, however, regretfully, often without much awareness of how capitalism and the subsequent doctrines of liberalism and neoliberalism have caused all these.

This fundamental lack of awareness on how the ideologies of liberalism and neoliberalism have, on a global scale, been (re)forming societies in the most detrimental manner, probably helps explaining why the abovementioned anger of

⁷Coming to the conclusion that capitalism has not at all succeeded in reaching the goal of creating just societies in which everyone’s needs are met in a fair and just manner, we shall in this book also reflect on what the outlook of an alternative socio-economic order, better apt for reaching this goal, could be.

⁸See Byttebier (2018).

the general public, almost in a paradoxical manner, at the same time continues to help bringing politicians into power who, by even more relying on neoliberal solutions, do nothing but make things even worse, thus further adding to the ravage capitalism has been causing for ages already.

It, hence, remains useful to keep on reminding people how the doctrine of neoliberalism has been causing havoc in so many domains of societal life and even for the wellbeing of Earth itself.

After thereto having readdressed the doctrine(s of liberalism and) of neoliberalism in Chap. 3 of this book, its Chap. 4 will deal with some of its abovementioned main disturbing consequences.

Throughout the Chaps. 2–4 of this book, it shall, moreover, be investigated how, in order to create the most ideal socio-economic environment for the entrepreneurial classes, the whole legal system of a broad variety of capitalist countries has in the course of the nineteenth century until this very date, been submitted to the sole interests of these classes, with as notorious example of fields of the law that have been shaped in order to albeit exclusively serve the interests of the rich and powerful:

- “Monetary and financial law” (by, above anything else, validating the societal scam that is going on for ages already of letting the power to create money in the hands of private market players);
- “Contract law” (by having created and sustaining a system in which the more powerful contract party can basically do as he pleases with his weaker co-contracting parties);
- “Company law” (which is basically a system that aims at, cost what cost, protecting the interests of shareholders by ensuring that the largest part of the wealth created by the economic system flows towards these shareholders⁹);
- “Fiscal law” (which, especially under the impulse of neoliberal doctrine, has become a mechanism in which the majority of (poor) people are the ones mostly submitted to taxation and semi-taxation, while a small elite of rich people are the ones least submitted to taxation and semi-taxation);
- ...

⁹Not surprisingly, in his book “Bullshit jobs: a theory”, David Graeber refers to “corporate lawyers” as a perfect example of “goons”, people who act in the most aggressive manner in the interests of their employers, being (big) enterprises, without any added value to the general wellbeing of society. (See Graeber (2018), p. 36).

As Graeber puts it:

But I think most would also agree that if all corporate lawyers (...) were to similarly vanish in a puff of smoke, the world would be at least a bit more bearable.

(...)

Recall the words of the tax litigator from the preface: “I am a corporate lawyer... I contribute nothing to this world and am utterly miserable all the time.” Unfortunately, it is almost impossible to ascertain how many corporate lawyers secretly share this feeling.

(Graeber (2018), pp. 36–37.)

While the Chaps. 2–4 of this book mainly present a “status questionis” of the capitalist socio-economic order, especially as being made “unbridled” again through implementing the doctrine of neoliberalism,¹⁰ the next Chaps. 5–7 of this book will try and look for answers and ways out of the hell of this capitalist socio-economic order.

Given the fact that the prevailing capitalist monetary system, basically based on letting the huge societal power to create new money in the hands of a select group of private market players, namely private banks, lies at the very roots of capitalism (see furthermore in Sect. 2.1), any alternative to the prevailing capitalist socio-economic order will have to be based upon a willingness to conceive a fundamentally new monetary system.

One of my previous books “Towards a New International Monetary Order”¹¹ already contains a blueprint for such a new monetary system that, in headlines, will be revisited in the Chap. 5 of this present book.

The in Chap. 5 of the present book proposed new monetary system could, when implemented, allow for the emergence of a totally new way of state financing and, through this, also of state functioning.

While by implementing the doctrine of neoliberalism into practice, states are to an ever increasing extent remodelled into “punitive” states only serving the interests of the rich and powerful,¹² the instalment of the new monetary system explained in Chap. 5 of the present book could allow for the genesis of a new type of “care state” that would place the interests of man and Earth before those of capital(ists).

The Chap. 6 of this book will present a general idea of what the outlook of such “care states” could be.

All this could, obviously, finally allow people to escape the tied bonds of capitalism. The characteristics of the “new man” who, through this, could emerge out of the ashes of the capitalist socio-economic order will be the subject of Chap. 7 of this book.

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¹⁰See furthermore Byttebier (2018), p. 90 a.f.

¹¹Byttebier (2017).

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Chapter 2

Main Legal Building Stones of the Capitalist Socio-Economic Order



2.1 Money

2.1.1 Money As a Societal Construct

This Sect. 2.1 will deal with one of the most important societal constructs that came into existence in order to make the fulfilling of man's (many) needs occur in a purportedly as efficiently manner possible, namely "money".

Throughout the course of history, money has indeed become one of the most important tools of organizing societies in general, and of organizing the access to the means needed for fulfilling man's needs more specifically.

Through these basic functions, money creation processes have also become the most important processes of deciding upon the distribution of the (economic) wealth brought forward by the combined efforts of nature and man's labor force.

Although in present-day societies money fulfills many functions, we shall hereafter mainly deal with two of these functions, namely on one side the use of money as a means of "hoarding" wealth, also referred to as "saving", which is at the same time one of the more obvious functions of money, and on the other side, the manner in which money has evolved into a means of (re-)distributing wealth, which is a less obvious insight in money which will need some more clarification.

In some of my other books,¹ I already explored in some more detail how the money (creation) mechanism works, even from an elementary historical angle. I shall not address these issues here in as much detail again, but I shall limit myself to pointing out some of the elementary characteristics and consequences of the prevailing monetary system(s), especially from the angle of how money as it "is" today, mainly fails in accomplishing the establishment of a fair and just societal system of fulfilling man's needs.

¹See Byttebier (2015a, b, 2017, 2018).

Money may hereby be indicated as the societal construct that came into existence when direct barter economies evolved into indirect barter economies. Hence, at its very core, money basically fulfils a “payment” function, even to the extent that one can but wonder if humanity would not have fared much better in case there would not have thought up any other functions of money than this basic payment function itself.

Indeed, if money would have remained nothing else than a means of purchasing goods or services produced by other people, humanity would probably have been spared from a lot of the injustices that have occurred throughout the ages, to the extent that already in ancient times, some of the world’s most renowned philosophers, religious leaders and artists have held that money may very well be the root of all evil.

Be as it may, once money came into existence, it soon appeared that the mere possession of money made it also possible to start hoarding wealth. As result, when comparing man to other animals, one cannot but help observing that man is the only animal species who has thought up of the fictitious good “money” that, based upon a social contract on what money is and does, allows a single individual to make disproportionately large claims of possessing parts of his surroundings (which is basically what “saved money” does).

This “hoarding” or “saving” function of money may in its own turn be explained due to its function of allowing payments for all other goods that are deemed to be tradeable (and in our present-day world, these concern practically anything that exists, in most (“civilized”) jurisdictions with the exception of man himself, next to certain goods of which the possession is deemed to be illegal).

When possessing money (in sufficient amounts), a man has, otherwise put, by definition access to purchasing other goods in the near or far future. Moreover, the time period, small as it be, during which an individual possesses money without spending it, already by definition indicates a certain hoarding or saving behavior from the part of the owner of money.

Put otherwise, the more an individual starts holding on to money without spending it on purchasing other goods (and, by extension, services), the more such an individual starts “saving” or “hoarding” wealth.

However, there is one further elementary condition for money allowing such saving or hoarding behavior, namely the fact that money has to keep its “worth” or “value”, or, in more economic terms, its so-called “purchasing power”, implying that an individual will only hold on to a certain amount of money provided that he can be sufficiently sure that he will be able to spend this money for future purchasing behavior, in other words, that money will keep its (purchasing) value.

Already early in the history of money, the use of money in indirect barter economies allowed man to deploy such a saving or hoarding behavior. However, it also soon appeared that not all individuals were as handy in deploying such savings or hoarding behavior, as a result of which already at an early moment in history, the use of money started dividing men into two main groups, namely the ones who succeeded best in both acquiring and hoarding money, hence wealth (in present-day societies, these people are referred to as the “rich” (classes)), and

others who were not as successful in doing so (in present-day societies referred to as the “poor” (classes)).

In subsequently developed religious, philosophical and even economic thought systems, a lot of reflection has been going on about this subject, especially exploring the reasons why one man succeeds in acquiring and hoarding excessive wealth, while others do not. Surprisingly, while in traditional philosophical and religious thought systems, this was often explained in terms of “morality”,² the approach of the relatively new human science usually referred to as “economics”, on the contrary, rather provides an answer in terms of “efficiency” and “skillfulness”.

Indeed, for a broad majority of (ancient) philosophers and religious leaders, the methods of getting (very) rich—thus: of deploying activities leading to excessive wealth acquiring and hoarding behavior—, or at the very least, of becoming more rich than one’s average fellow man, were often indicated as in contradiction with moral standards, while in our times, the human science of economics indicates the very same methods as being necessary for organizing socio-economic life in a rational and efficient manner.

This, furthermore, also helps to explain why, in modern times, those who are still willing to reflect upon the prevailing socio-economic system, namely capitalism, and hereby reach the conclusion that some of its (determinant) consequences are totally objectionable, often reach this conclusion by, at least in part, relying on ethical arguments, while those in favor of unbridled capitalism have rather thought up of an approach stating that what they consider as economically efficient, especially “egoism”, “selfishness” and “greed”, is by definition morally good.³

One should, furthermore, consider that the division of mankind into (at least) two main classes, namely rich and poor, that in the present-day neoliberal world order cuts through global societies as the sharpest knife (see further Sects. 4.5 and 4.6), has only been made possible through the use of money, a both historical and entirely fictitious societal construct in which societal organization has nevertheless put so much belief that it by now determines the outlook of global societies in an unprecedented manner.

This insight, obviously, puts money at the very center of any debate on the morals of the prevailing socio-economic order itself.

In light of the foregoing insight that money basically regulates individual’s claims on the proceeds of the combined efforts of nature and man’s labor, it becomes even

²It is somehow remarkable that in Classic Antiquity, especially in the Old Greek and Roman civilizations, “Hermes” or “Mercury”, the god of the merchants, was at the same time the god of thieves and crooks, which should not come as a surprise to the extent that both categories of human professions rely on the same skills of being willing to submit, at all cost, one’s fellow human beings’ interests to those of one’s own.

³In this way, the debate on the morality of the socio-economic system basically seems to come down to answering the question whether or not there is room for any other moral standard other than saying that whatever man does on a socio-economic level for serving his own selfish purposes is intrinsically good (and thus defensible).

more remarkable to consider how (present-day) money (forms) itself (themselves) is (are) “made”.

Many an academic or researcher dealing with financial subjects, will in this regard, during the course of his career, come to the observation how little awareness there is among most people—be they students, attendants of a speech or even a scientific colloquium, or any layman with whom one discusses the subject of money—of how money is “made” in accordance with the currently prevailing economic and legal principles (as put into practice through all kinds of legal rules and systems).

At best, people seem to be inclined to think that money is made by governmental instituted central banks which distribute this money through private banks and similar financial institutions, the latter moreover being involved in all kinds of financial services which make the saving and investing of (already existing) money more effective and profitable for the general public.

One could but hope that this general belief would be true, but unfortunately it is not, or at the very best only to a very limited extent.

Indeed, the foregoing general belief might imply that there would be at least still a chance that the creation of money would happen in the fair and just manner that could be expected in an ideal, utopian society where a general concern for all people’s needs and interests, on a more or less equal basis, would prevail (as referred to in Sect. 1.1).

Regrettably, this is not the case for the prevailing monetary system(s) on Earth.

On the contrary, the money creation system that, since the late Middle Ages, has been developed in capitalist societies all over the world, is one where the power to create money has basically been handed over to a small number of private market players, usually referred to as “(private) banks”. This at the same time implies that, contrary to what one could expect within purportedly democratic societies, the creation of money does not occur for reasons of general interest, hence for reasons of ensuring that all human beings stand a fair and just chance in accessing the means for fulfilling their (basic life) needs in a more or less equal manner, but mainly in the private interests of the private market players that have been installed with this huge societal power themselves.

During my academic career, I have furthermore also noticed how hard it often is to convince a layman in matters of finance whom I address (be it, as said, a student, an attendant of a speech or seminar, or anyone else with whom a discussion on monetary matters is engaged with) of this basic truth, or even to make such listeners care about how, and to what enormous extent, the prevailing money creation system affects their—and everyone else’s—day-to-day life.

As surprised as many people become when finding out that, within capitalist societies—in the awareness that there are not much other societies left on Earth—the power to create money does not rest with public authorities, but with private market players, as surprised, and throughout my academic career, to some extent, even desperate, I have become in finding out that so many people are totally unaware of and even uninterested in this basic fact.

For this reason, it remains useful to, hereafter (in the next Sect. 2.1.2), give at least a general explanation of how money is actually made.⁴

2.1.2 The Origin and Later Development of the Presently Prevailing System of Money Creation in a Nutshell

2.1.2.1 From Goldsmiths and Money Changers to Banks

Today's deposit banking model and the monetary system that is based upon it, are basically the outcome of a historical evolution which started in the Middle Ages⁵ and crystallized, mainly throughout the nineteenth century, to its present state.

In order to obtain a basic understanding in how the (global) monetary system works, one should hence, from the start, acknowledge that the presently prevailing banking and monetary system is hardly the result of a well-conceived process. Instead, like many societal constructs, the prevailing banking and monetary system basically but came into existence through a (historical) process of "trial and error".

More precisely, in the course of the second half of the Middle Ages, the practice of depositing the then prevailing "coin money" (usually issued by local authorities) to all kinds of financial institutions, amongst which money changers and gold smiths, started creating the basis for a then new economic activity, namely the "lending" of said coins by the depositories to third parties.

As a result, depository institutions of coin money which until then had behaved as mere depositories of coin money, gradually developed into "loaners" of this coin money to third parties in need of credit.

In the beginning, this lending activity was somehow restricted by the medieval Catholic Church prohibition on interest charging, which was one of the main reasons why this practice of "money-lending" against the payment of interests, initially, came mostly into Jewish hands, as Jews were not subject to this church prohibition on interest-charging. However, soon also non-Jewish depositories of coin money looked for practices allowing them to escape the strict (Church) rules on the charging of interest (which led to all kinds of new commercial techniques of exchanging money, such as the letter of exchange).⁶

A further practical development would gradually resolve the legal restriction on the lending capacity of the specialized institutions being initially limited to only lending out their pre-existing reserves of coin money, and at the same time having to ensure that they were at all times able to meet exchange requests from the deposit

⁴As said, in some of my previous books, I have worked out a more detailed analysis of these money creation mechanisms (see especially Bytbeier (2015a, 2017).

⁵Obviously, one could put the starting point of this narrative even earlier in time, as the monetary system of the Middle Ages itself was but the result of a historical evolution that started when money came first into existence.

⁶For further details, see Bytbeier (2017), pp. 127–128.

holders, given the fact that the latter could always ask the coin money they had deposited back from the depositories.

More precisely, the medieval coin money deposit system gradually evolved into a practice whereby written “proof-of-debt documents” that a deposit holder received in exchange for a deposit of coin money, themselves started to function as an appropriate payment instrument, hence as money, on their own accord.

This can be explained due to the fact that the holders of such proof-of-debt documents issued by a professional custodian of coin money (in legal terms to be considered as creditors of this depository), when required to make a payment to a third party, gradually started facing two options, namely: (1) either ask the deposit back and thus, subsequently, pay their own creditor with coin money; or (2) if the third-party-creditor agreed, hand over the debt instrument to their third-party-creditor (which, legally speaking, amounted to a system of tender payment by transfer of a claim).⁷

To the extent that the public confidence in the (professional) custodians of coin money gradually grew, also the practice of relying on the proof-of-debt instruments issued by the depositories of coin money in order to make payments to third parties got more and more accepted (resulting in a decreasing need to bring the underlying coin money back into circulation).

In this way, the proof-of-debt documents issued by the professional custodians of coin money evolved into money themselves, more precisely into “privately emitted paper money”.⁸

This practice of using the aforementioned proof-of-debt documents as a new form of money was, moreover, soon followed by another, possibly even more important development.

In their daily practice, the issuers of said proof-of-debt documents found out that (1) the exchange of these documents for coin money by their holders got, in many cases, more and more postponed in time, and that (2) on the contrary, the proof-of-debt documents evolved more and more into a means of payment on their own accord, as a result of which the holders of these documents no longer felt a need for an (immediate) exchange against coin money.

This at first glance rather innocent realization nevertheless added a totally new dimension to the lending activity of the coin custodians, namely that of becoming (private) money creators.

⁷In the latter case, the third-party-creditor himself became the new holder of the proof-of-debt documents and, in case he himself needed to pay his own creditor, he in turn got confronted with the same choice as the first-mentioned debtor himself had been (and further so “*ad infinitum*”).

⁸Martin has phrased this as follows (see Martin 2013, p. 101):

It was here – in the creation of a private payments system – that the invention of modern banking originated. Such a humble birth may sound disappointing. Today, the banking sector’s unglamorous routine of providing payments services takes a distant second place in the popular imagination to the exciting business of lending and trading. But their ability to finance and settle payments is the more fundamental activity. This is banks’ specifically monetary role, and what makes them special.