

Andreas Marquart | Philipp Bagus

BLIND ROBBERY!

How the Fed, Banks and
Government Steal Our Money



Blind Robbery! – is a great introduction to Austrian Economics that shows how fiat money is the root of most evil – including income inequality, economic instability, the rise of the welfare-regulatory state, and even the decline in morality. This book should be read by all seeking the truth about the causes of, and cures for, our slide into political authoritarianism and economic collapse.

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Ron Paul

For Ludwig von Mises

Andreas Marquart | Philipp Bagus

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*We would like to thank our wives, Eva and Petra,
who lovingly supported us in the months
in which this book was written.*

Philipp Bagus & Andreas Marquart

Contents

Preface	9
Introduction: Why this book is so explosive	11
1. Why money does not need the state.	17
2. Who is allowed to create money and who is not	31
3. Why our current money creates social injustice.	49
4. Why government money ruins us economically.	69
5. How the state exploits you with inflation	87
6. What inflation does to people	107
7. What happens when the state intervenes in everything	125
8. How it will all end.	147
9. Why you have not heard of this before	163
Endnotes	179
References	181
About the authors	185

Preface

Why do the topics of money, inflation, and central banking seem so mystifying? Why do otherwise well-informed people, even those who follow economic and financial news, know so little about how money really operates in society? Why don't we learn anything about money and banking in school? And how does this ignorance leave us vulnerable to political elites and their benefactors in the banking class?

Philipp Bagus and Andreas Marquart have the answers to these questions, and many more, in *Blind Robbery!* The book provides a superb introduction to the vital subjects of money and banking, in an accessible and highly readable style. Students, business people, and even seasoned academics will benefit from their treatment of the origins of money, the monopolizing role of states and central banks, the true nature of inflation, and the terrible economic harms caused throughout history by the political control of currency.

Perhaps most importantly, Bagus and Marquart address the unholy relationship between politicians and bankers in society today. It's a complicated subject, one the financial press scarcely considers. The authors, however, use plain language to explain how legislatures and central banks work together to create a rigged game — rigged against savers, investors, retirees, and anyone hoping to build wealth outside the financial casinos. They illustrate not only the disastrous financial consequences of modern banking systems, but also the moral, cultural, and social impact of punishing thrift and rewarding consumption.

In doing so, the authors carry forward the important work of Adam Fergusson (*When Money Dies*) and Jörg Guido Hülsmann (*The Ethics of Money Production*): societies marked by unchecked monetary expansion inevitably decline in character just as they decline economically.

Throughout the book, the principle and theory behind each argument are presented with admirable clarity. But *Blind Robbery!* is not a theoretical or academic treatise. On the contrary, it's a real-world exposition of modern monetary systems — written with an eye toward helping readers protect themselves from the economic and monetary dislocations our politicians seem hell-bent on creating. Readers especially will benefit from the explication of possible endgame scenarios for fiat currencies in Chapter 8.

Blind Robbery! is a fascinating and enjoyable book — albeit a troubling one — for anyone interested in money and banking in the modern era. Even readers already well-versed in the monetary theory of the Austrian school of economics, will enjoy the authors' fresh approach to the subject. It's a must read for anyone seeking to understand how states and their central banks undermine real prosperity.

Jeff Deist, President, Mises Institute, Auburn (Alabama, USA) March 2016

Introduction: Why this book is so explosive

“The biggest disaster in human history.”

That is how economist Roland Baader (1940–2012) describes the state’s control over the money supply. This is a bold statement — because almost no one dares to question the state’s monopoly on money creation these days.¹

How about you? Have you ever questioned the monetary system we have? No? Do you think that monopolies are bad? Economists usually describe them as leading to waste, inefficiency, and higher prices. So why should it be any different when it comes to money? Is not money that keeps its purchasing power over time something of great value to everyone? Would you let a state monopoly decide what and how much you eat every day? Of course not. But that is exactly what is happening with money!

If our money is so secure in the hands of the state, then why does it keep losing its purchasing power? You may object that a monetary system controlled by the state is still better than leaving such an important function to the so-called free market. But are you sure? Why is the central bank (the Federal Reserve in the U.S., or the European Central

Bank in the eurozone) allowed to create more and more new money? Why does the state allow the commercial bank around the corner from you to create money out of thin air in the form of credit (loans)? Why is your bank allowed to loan out to others money that *you* have deposited into *your* checking account? After all, you might need that money again soon! When the money is loaned out (and a large portion of it is loaned out), how can it still be available to you when you want it?

What will happen to you if *you* print money? One thing is certain: you won't get past "Go." You won't collect \$200. But you will go directly to jail! You see, monopolists don't like competition. They want their monopoly protected.

Based on information from the European Central Bank (ECB), in the eurozone the M2 money supply, which consists of cash, checking deposits, and short-term savings deposits, has doubled since the year the euro was introduced. But if you live in Europe, did the money in your bank account double during that period? No? Did you at least see your income double, then? Again, probably not. Now ask yourself this question: If the money supply in the eurozone doubled, but your bank balances didn't, then is it not reasonable to conclude that the additional money must have ended up in the accounts of someone else? If that person already had more money than you, then he now has *even more*. In this case, the person who started out richer than you has become even richer, and relative to him you have become poorer. In the U.S., the M2 money supply has increased at an even faster pace. From 1999 to 2015, M2 almost **tripled**. Has your American bank account grown three times as large?

But if you expect this book to be a hate-filled rant against the "evil rich" and the CEOs who exploit their poor workers, and who must be forced by law to pay decent wages, or at least a minimum wage, then you would be wrong. Every person — and this includes you — acts from the

same motivation. The motivating factor for human action is always the desire to improve one's own well-being and one's own situation.²

No one should blame another for seeking to improve his situation by acquiring *more money or more wealth*. It is just human nature. If this motivation were not part of our nature, we would probably still be living in caves. What is important is which means or tools you use to enrich yourself. Some people are more focused than others in their pursuit of wealth, even to the point of using immoral or even criminal means.³

If you are of the opinion that people are becoming more and more self-centered and ever less willing to help others, then perhaps the real causes are to be found in our monetary system itself. That is to say, in a monetary system that makes possible the creation of a gigantic, debt-financed welfare state. The welfare state destroys the willingness of people to help each other. Instead of helping someone directly and personally, we push the responsibility onto the state, and tell ourselves, "Well, I already paid enough in taxes."

Do you have the feeling that our society is falling apart? The underlying causes of this are to be found in the nature of our monetary system: this explains why *the few* profit from *the many*, why traditional societal bonds continually wear thin, why people become more materialistic and less caring, why the rich get richer and the poor get poorer. This is why we wrote this book: to explain to you why this is so.

And fear not! You do not need to be an economist to be able to understand this. It is probably even an advantage if you have *not* taken economics classes, since they tend to corrupt your ability to think clearly about economic issues. In any case, what awaits you in this book you would not get in an economics class at a standard government school or university. You just need common sense. We promise.

But let us warn you right now: by the time you have finished this book, you will look upon the world with fresh eyes. So if you think all is right with society and you are happy and content with your life, you can just put this book down right now. Do you really want to read on? Take some time to decide ...

Ok. *If you are reading this sentence, you have made the decision to join those courageous enough to learn something new.* Congratulations! You made the smart choice! Only when enough people know about the perversion and the injustice of our monetary system will there be hope for change. *You* are our hope. We are counting on you!

After reading this book, you will see many things from a different viewpoint. That is because you will know what constitutes *good* money, and you will know that our current money is *bad* money. You will see how important good money is for our economy, and what fateful influence *bad* money has on income and wealth distribution in a society. You will understand why the state has seized control of the monetary system and why it wants to hold on to that control.

You will learn why *bad* money always leads to economic downturns and recessions, why banks get into trouble, and why the prices of goods and services always rise.

We will arm you with the knowledge to make you able to tell the difference between *good* and *bad* economic theories and teachings. We also offer our book as an antidote to the very popular tome *Capital in the Twenty-First Century*. This book, written by the French economist Thomas Piketty, generated worldwide buzz and acclaim. According to Piketty's theory, it is capitalism that is responsible for the increasing inequality in income and wealth. What nonsense!

U.S. President Barack Obama, International Monetary Fund (IMF) boss Christine Lagarde, and even the Pope are said to have read Piketty's book. If you happen to see one of them, perhaps you could hand them a copy of **this** book. Otherwise you will be burdened with still more taxes and regulations, which is exactly what Piketty proposes.

You will also learn about the state, government, and politics here. If you have faith in the competence of the state, then it is highly likely that you will lose that faith. And if you have never trusted politicians, you will see your belief confirmed and vindicated here.

And when you have finished reading you will be able to understand why *bad* money is at the core of what is wrong with our society, even extending down to the most basic societal unit — the family. This connection is not immediately recognized because of a tangled web of state interventions, but it exists just the same.

State interventions cover up the true causes of harmful developments in the economy and society, like the application of many layers of paint. Reading this book will allow you to strip away all the layers of paint, and in the end you will be able to recognize, see, and understand the unvarnished truth.

We hope that you enjoy this book.

Philipp Bagus, Andreas Marquart
July 2015

1. Why money does not need the state

“The people will miss those resources in the future that they ate up over the decades.”

- Roland Baader

Right from the outset, we would like to clear up a widely held misconception: money was not invented by any one person in particular, and it certainly did not appear as the result of some government decree. Most people know that money is very important, and they believe that it is right and good that the government controls it. Wrong!

Forget for a moment our current monetary system, which we described in the introduction as bad money. Instead, let's begin at the beginning. First, using a simple story, we would like to explain to you how money originally arose. The origin of money illustrates its true nature and shows us what good money is. And when you understand the nature of money, you are ahead of most economists, not to mention most of our politicians.

Imagine a society *without* money. How would trade among people take place? Let's take a trip back in time to a small imaginary city. How far back, we'll leave to your imagination.

Imagine that you live in a small city and you are a shoemaker. You make the best shoes in the area. Unfortunately you don't have any other talents.

Neither you nor your wife can bake bread well. You also don't have any room to keep farm animals. Your children and your wife are widely admired for the shoes they wear. But you can't eat shoes, and thus, from time to time, your wife has to go out and procure foodstuffs. But because money does not yet exist and you only have shoes to offer in trade, your wife is forced to find a farmer who — by chance — needs shoes and is willing to exchange a bag of potatoes or a ham for a pair of shoes. This may work once or twice, but at some point, the farmer does not need any more shoes; his shoe closet is full. When your wife comes by again to exchange shoes for food, the farmer will politely decline her offer.

Let us stop for a moment. Did you notice that we used the word “exchange”? People need a “means of exchange.” Our simple example would get more complicated if we included additional professions: a butcher, a blacksmith, a bricklayer. (But notice: no banker! He is not needed here.) How much more could all these people — we will call them market participants — benefit from one another, if they had a means of exchange so that they would not always have to be on the lookout for someone who right then is in need of what they have to offer (whether a pair of shoes, or some dental work, or a plough)? Did you perhaps think to yourself how great it is that we don't have these practical problems, since we have money that is supplied to us by a generous state? If so, we would like to free you from this misapprehension and continue with the rest of our story.

The people in our small city like to adorn themselves with jewelry, particularly gold and silver. It is a long tradition that the men give their wives gifts of gold at every opportunity, when a child is born, when there is a birthday, and at anniversaries.

The women in the city love these presents, but they also know how long their men have to work and how much of their goods or services they have to hand over to the goldsmith to obtain a ring, an earring, or a