

Delinquent Finance I

October 29, 2011

The imminent collapse of global finance, and/or the advent of global finance on the way to global government which that collapse has been designed to bring on, should be making souls think: how did we get into this mess, and how do we get out of it? If Almighty God has had no part to play in such a serious crisis, then obviously he is not serious but just a feel-good Sunday pastime. On the other hand if he is as important as once the builders of medieval cathedrals obviously thought, then neglecting him will have had a central part to play in today's triumph of finance over reality.

Indeed one must go back to the Middle Ages to understand where today's disaster has come from. As the Faith began to droop after the high Middle Ages, so men became more and more interested in Mammon, the other great motivator of their lives (Mt.VI, 24). Thus money, natured to be the servant of the exchange of real goods and services, was unhooked from nature to become modern finance, master of the global economy. A key step in this process, leading directly to today's mountains of unpayable debt in all directions, enslaving the world to the visible bankers, or rather to their invisible controllers, was the post-medieval spread of fractional reserve banking.

When money serves the economy, a wise State will ensure that its total quantity in circulation goes up and down with the total quantity of real goods to be exchanged in that economy, so that its value will remain steady. Too much money chasing too few goods will mean its value drops by inflation. Too little money pursued by too many goods will mean its value rising, by deflation. Either way its changing value destabilizes all exchanging of goods. Now if banks, in which depositors deposit real money, need keep only a fraction of that real money in reserve to back a much larger quantity of paper money which they can put into circulation, then by

putting too much or too little into circulation, they can play with the value of money and make fortunes by lending out cheap money and demanding back expensive money. Thus financiers can take over control from the State.

Worse, if fractional reserve banking enables banks to disconnect money from reality and fabricate it at will, and if they can charge even slight compound interest on their funny money, then logically they can – and do! – suck all real value out of an economy, reducing most depositors to borrowers and most borrowers to hopeless debt-slaves, or mortgage-slaves, taking care only not to kill off completely the goose laying the golden eggs for their benefit. The divinely inspired wisdom of the law-giver Moses was to put brakes on all lenders' power by cancelling all debts every seven years (Deut.XV,1–2), and by restoring all property to its original owners every 50 years (Levit.XXV, 10)!

And why did Moses, great man of God and therefore man of deep “spirituality,” concern himself with such materialistic questions? Because as bad economics can turn men to despair, towards Hell, away from God – look around you, today and above all tomorrow – so good economics make possible a wise prosperity which in no way worships Mammon, but makes it rather easier to trust in the goodness of God and to worship and love him. Man is soul and body.

Moses would surely have smashed fractional reserve banking, like he smashed the Golden Calf!

Kyrie eleison.