Delinquent Finance – II

February 4, 2012

Delinquent finance has today a religious significance because it is playing a major part in the enslaving of the entire world by the conscious or unconscious enemies of God, the smartest of whom have to be well aware that their ultimate purpose is to send every single soul down to Hell. However, before we present any other piece of their financial machinery, it is necessary to understand the full delinquency of fractional reserve banking, first introduced in the "Eleison Comments" of October 29, last year.

Fractional reserve banking means that a bank need only hold in reserve, ready to be paid out to customers, a small fraction of the money they put into circulation. It arose in Europe in the late Middle Ages when bankers observed that if they took in as deposits, say, 100 ounces of gold and gave out 100 slips of paper certifying that the owner of the certificate could claim so much gold from the bank, then almost never at any one time would more than, say, ten customers ever bring in a certificate to claim back a deposit of gold. And as long as the people had confidence that the bank could and would always have gold to give in return for certificates, then these pieces of paper could happily serve as money, and as such they would circulate amongst the people.

However, the bankers realized meanwhile that in the normal run of business, they needed to hold in reserve only ten ounces of gold for 100 certificates, or, if they held 100 ounces of gold deposited with the bank, then they could issue 1000 paper certificates. Of these, 900 would have nothing at the bank to back them. They would be "funny money," created by the bank out of thin air, but that would not matter so long as not more than a proportion of one customer out of ten wanted to cash in his paper for a piece of gold.

If they did, then the bank would not have the gold for all the certificates, and either it rapidly borrowed some gold from elsewhere to hand out, or the people risked realizing what a confidence trick had been played on them. If their confidence in the bank then vanished, everybody would want their money back at once – bank runs are only made possible by fractional reserve banking – and large numbers of customers would be left holding in their hands nothing but worthless pieces of paper. The bank would of course be bankrupt, and one could hope it would disappear altogether.

Thus wherever there is fractional reserve banking, the bank is intrinsically fragile, and it is, ultimately, playing a confidence trick on its customers. Extrinsically, it may protect itself by having a guarantee of support in case of need from, often, a central bank, but that guarantee is only as sure as the guarantor, and in the meantime it gives a dangerous power to any central bank. Thereby hangs another tale of financial delinquency, but that of compound interest must come first.

Power is at stake, and ultimately souls. Let nobody say these questions have nothing to do with religion. Think of the Golden Calf.

Kyrie eleison.