

Is central banking a capitalist or communist concept?

Central banks look capitalist on the surface, but have their roots in communist literature

By Valentin Schmid

If you visit the Federal Reserve's Facebook page, you will seldom find a positive comment. That's because people who don't care about central banking won't go to the Fed's Facebook page. That leaves only the ones who are positive about it – if they exist – and the ones who don't like central banks.

The right doesn't like central banks because of their centrality. The banks centralise power over interest rates, and the right doesn't like central control over pretty much anything. The left doesn't like central banks because they represent money, capitalism and “too big to fail” banks.

However, despite the confusion and complicated hybrid setup of the Fed and other central banks, these institutions are more communist and socialist in nature than capitalist.

Contrast these two statements from two important historical documents.

One calls for the “Centralisation of credit in the hands of the state, by means of a national bank with State capital and an exclusive monopoly”.

The other one gives Congress the power to “coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures”.

Karl Marx and Frederich Engels penned the former statement in 1848 in their infamous “Manifesto of the Communist Party”.

Alexander Hamilton, John Adams, James Madison and Thomas Jefferson were responsible for the inclusion of Article 1, Section 8 of the US Constitution, the source of the latter statement.

So which camp is the Federal Reserve in – manifesto or Constitution?

National monopoly

The Fed is a national banking system and has an exclusive monopoly on issuing the US dollar credit instrument in paper and electronic form.

The Communist Manifesto furthermore calls for “gradually substituting paper money for gold and silver coin”. This objective was achieved, gradually, from the beginnings of the Fed in 1914 until the revocation of the Bretton Woods modified gold

standard in 1971. Since then, the world has operated on a global paper dollar standard.

Furthermore, the manifesto wanted the “paper issues [to be] legal tender”, a principle dutifully incorporated into the Federal Reserve Act of 1913.

Under the act, “the said notes shall be obligations of the United States and shall be receivable by all national and member banks and Federal Reserve banks and for all taxes, customs, and other public dues. They shall be redeemed in lawful money”, where “lawful money” means legal tender.

The US Constitution, on the other hand, calls for Congress to “coin money”, referring to the issue of gold and silver coins and the standardisation of their measurements. The Department of the Treasury still issues American Gold and Silver Eagles, but the Fed neither coins money nor concerns itself with the standardisation of weights and measures.

Hybrid ownership

What about ownership, capital, supervision and credit? This is where the Fed does not meet the strict

manifesto standard. Legally, the Federal Reserve System is a public/private hybrid, with private banks owning the shares or capital of the system and the government providing some, though not all, of the supervision.

So the Fed does not operate on state capital. However, it shares its profits with the Treasury and most of the important decisions are made by publicly appointed officials. The president appoints seven of the 12 members of the Fed body that decides monetary policy (the Federal Open Market Committee) and they are then confirmed by the Senate. So it does sound like the “centralisation of credit in the hands of the state”, or at least the power to manipulate credit.

Credit is not centralised in one bank, but rather in the one Federal Reserve System, which includes thousands of privately owned banks that issue credit to their customers. This goes against the call for “suppression of all private banks and bankers”, because they still exist. However, the system has central control over credit owing to regulation and tinkering with the interest rates.

The Fed can control how many reserves the system banks must hold and how much money (credit) they can lend. The open market operations that determine the interest rate on the reserves also incentivise banks to free up or contract credit.

In fact, setting short-term rates and manipulating long-term rates centrally through large-scale asset purchases, like the Quantitative Easing programme, is akin to communist central planning.

In the free market, private banks compete for savings, and the interest rate is set in a competitive bidding process between different economic actors. Not so in a centrally controlled system.

Lastly, Marx and Engels got their wish written in 1848: “In most advanced countries, the following will be pretty generally applicable”, with “the following” including centrally controlled credit and other demands of the manifesto.

Today, the only countries without central banks are the micro states of Monaco, Nauru, Kiribati, Tuvalu, Palau, Marshall Islands and the Federated States of Micronesia.



PERSPECTIVES

The Curzon cinema recently pulled out of screening the documentary ‘Vaxxed’. The film alleges the covering up of a link between the MMR vaccine and autism. Was the Curzon’s decision a good one?

NO

The Curzon pulling out was a bad decision because it made news in the mainstream media for the wrong reasons; it gave credibility to censorship. It was also unprofessional. The management did not contact us or the film company beforehand and are in breach of contract.

Even though they had full disclosure of the film and the controversy they did not run due diligence on this and were unprepared.

They fell for the theoretical line “you will have blood on your hands”.

Fiona O’Leary, who lead the campaign against the screenings in the Curzon and the EU Parliament, has two autistic boys and objects strongly to any consideration that vaccines might be to blame. She feels that any suggestion along these lines is evil.

We understand the offence felt by some parents by suggestions that autism can or should be recovered from because it can be seen to devalue a person. We clearly need more debate.

European Forum for Vaccine Vigilance
The author(s) wished to remain anonymous



YES

Curzon’s decision to pull the screening was a laudable one. *Vaxxed* is not an informed piece of film-making – rather, it’s a shameless litany of falsehoods masquerading as a documentary.

The claims made in it are long debunked, and Andrew Wakefield himself has absolutely zero credibility.

These claims have no scientific merit, and exist solely to create a perception in the public mind that vaccination is contentious when it most certainly isn’t.

There is no debate – the overwhelming scientific evidence shows vaccination to be safe and life-saving. It is utterly false balance to treat the empty claims in *Vaxxed* as somehow equal to this wealth of evidence.

Anti-vaccinationists are certainly are not owed public platforms to spread dangerous fictions, any more than we would accept holocaust deniers screening their falsehoods in public.

Dr David Grimes
Doctor of physics, cancer researcher at Oxford University



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Printed by

St Clement's Press
mohammed.faqir@
stclementspress.com

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