**SECTION ONE: THE TRUSTED THIRD PARTY PROBLEM**  
  
**CHAPTER ONE: Listening to the Past**  
  
The root problem with conventional currency is all the trust that’s required to make it work. The central bank must be trusted not to debase the currency, but the history of fiat currencies is full of breaches of that trust. Banks must be trusted to hold our money and transfer it electronically, but they lend it out in waves of credit bubbles with barely a fraction in reserve. We have to trust them with our privacy, trust them not to let identity thieves drain our accounts.—[Satoshi Nakamoto](http://p2pfoundation.ning.com/forum/topics/bitcoin-open-source)  
  
The trusted third party problem has haunted modern financial systems and centralized exchanges because people require an intermediary to make them work. The third party’s good or bad motives become a defining aspect of the transaction, and the those who use the institutions are at the mercy of those intentions. This is especially true of the current system of state-issued money and central banking.  
  
A trustless system avoids intermediaries and does not depend upon the intentions of participants; that is, the system functions in the same manner regardless of anyone’s intentions. The blockchain, with a transparent and immutable peer-to- peer protocol, is called trustless because there is no corruptible intermediary upon whom exchanges must depend.  
  
On a small scale, the trusted third party problem may always exist because a middleman is useful or necessary in some situations. If third parties offer competitive services on a free market, however, the damage of dishonesty or incompetence is limited. People can take their business elsewhere, report a swindler to watchdogs, warn others, and file a lawsuit.  
  
An occasionally dishonest third party is not the problem Satoshi addresses. He speaks to the institutionalized corruption of government and central banks from which the average person could not escape by using a competitor or by suing. Almost everyone who works over the table, runs a business, buys or sells goods, accepts government benefits or pays taxes has had to accept a fiat that constantly [plunges in value](https://news.bitcoin.com/bitcoin-solves-runaway-inflation-by-undermining-trusted-third-parties/) due to inflation. Almost everyone who uses credit, accepts checks, takes out loans, conducts commerce or does business abroad has needed to go through banks that steal like drunken muggers.  
  
For average people, the situation used to seem hopeless because no legal, practical, and private alternative existed for transferring funds across considerable distance, including borders. Attempts to reform or remove the system also seemed doomed because it was inherently corrupt and self-serving. In fact, fiat and central banking were serving the purpose for which they had been established: financial control by elites. People’s need for money and exchange became their straitjackets.  
  
Then Satoshi. Then the blockchain and crypto. A new concept of money was created in a form that cannot not be inflated; the number of bitcoins is [fixed at 21 million divisible units](https://news.bitcoin.com/what-happens-bitcoin-miners-all-coins-mined/). The supply can only decrease when coins are lost, as inevitably happens. [Satoshi note](https://bitcointalk.org/index.php?topic=198.msg1640#msg1640)s, “Lost coins only make everyone else’s coins worth slightly more. Think of it as a donation to everyone.” Bitcoin solved the fiat problem.  
  
A new concept of financial transfer solved the third party problem, especially with regard to banks. Although peer-to-peer transactions involve a middleman or miner, no trust is required since the transaction is released only when “proof of work” is rendered, which consists of solving a complicated math problem. Arriving at a solution may be costly in computer power and time, but the solutions themselves are easy to verify. Satoshi comments, “With e-currency based on cryptographic proof, without the need to trust a third party middleman, money can be secure and transactions effortless.” The soundness and propriety of the blockchain’s protocol itself is assured by the use of open source that is visible to all and verifiable. The political outcome: A private currency and method of exchange freed people from financial oppression.  
  
The idea of private currency itself is hardly new, however.  
  
**Precedent in Radical Individualist Theory**  
  
The late Friedrich Hayek is the most respected Austrian economist of the 20 th  
  
century. His book *The Denationalisation of Money: An Analysis of the Theory and Practice of Concurrent Currencies* argues vigorously for private and competitive currencies to displace government-issued ones. Hayek ponders a key question. “When one studies the history of money one cannot help wondering why people should have put up for so long with governments exercising an exclusive power over two thousand years that was regularly used to exploit and defraud them. This can be explained only by the myth” that government money was necessary “becoming so firmly established that it did not occur even to the professional students of these matters…ever to question it. But once the validity of the established doctrine is doubted its foundation is rapidly seen to be fragile. ”  
  
Governments reap incredible profits from debasing the currency, but the rigged game works only if people have no alternative but to play it. The political purpose of legal tender and banking laws is to grant a monopoly to the state, which permits the redistribution of wealth and power from average people upward to the elite of society. Fiat money and banking remains fragile, however, because the system relies on people either not understanding the dynamics or not having a choice. Hayek wonders why public understanding is so elusive. Why was “a government monopoly of the provision of money…universally regarded as indispensable” and what would happen “if the provision of money were thrown open to the competition of private concerns supplying different currencies?”  
  
With eerie prescience, Hayek argues for currencies developed by entrepreneurs who innovate new forms of money just as they innovate in other areas. One of the drawbacks of government’s monopoly is that it imposes a freeze on the sort of invention that now runs free in crypto. The voluntaryist historian [Carl Watner observe](http://voluntaryist.com/backissues/156.pdf)s, “No one can tell in advance what form these monies might take because no one can know for sure what choices individuals would make or what new technologies might be discovered. Laws forcing people to use the Federal Reserve System money have frozen monetary developments at a certain stage...Just imagine if Congress had protected the Post Office by passing laws that would have prevented people from communicating via the internet. We would never have experienced the marvels of e-mail.”  
  
The late Austrian economist Murray Rothbard also wrestles with the question of “why do people so vigorously resist private currencies?” His book *For a New Liberty: The Libertarian Manifesto* advances an explanation. “If the government and only the government had had a monopoly of the shoe manufacturing and retailing business, how would most of the public treat the libertarian who now came along to advocate that the government get out of the shoe business and throw it open to private enterprise?” Rothbard predicts that the skeptics would attack the libertarian for depriving them of the only possible source of shoes—the  
  
government. People are thoroughly indoctrinated to believe that daily life cannot function without the state and fiat.  
  
Hayek and Rothbard are unusual among free-market economists in their embrace of private money and monetary systems. Even laissez-faire zealots rarely champion free-market currencies or private banking. Instead, they debate marginal issues such as fractional reserve and other reforms they think will improve the existing system. Or they argue for the restoration of a gold standard as though it were a panacea. But if a gold standard were applied to fiat, the system would still require people to trust the government and banks. This means trusting both institutions to act against their own interests, which they have historically neglected to do.  
  
The modern neglect of free-market money and banking is odd because 19th - century radical individualists focused intensely on the importance of private money and private banking to personal freedom. They placed a primal emphasis on the right of every individual to create his own currency and to function as his own bank. It was a natural right as important as freedom of speech or of religion. The pivotal individualist Benjamin Tucker believed that the right to issue private currency was so important that it could destroy the State all by itself. His reasoning: The money monopoly, including control of credit, was how the State sustained itself and robbed average people not merely of wealth but also of economic opportunity.  
  
Two specific events sculpted the approach that the early individualist-anarchists adopted toward the monetary monopoly. One was the Panic of 1837 that tipped the United States into recession until the mid-1840s. Commonly cited causes of the Panic include a collapsing land bubble and a sharp fall in cotton prices. Blame is also placed at the feet of President Andrew Jackson for vetoing the recharter of the Second Bank of the United States and precipitating an unfortunate chain of economic events. Drawing on the work of Professor of Economics Peter Temin, Rothbard disputes this interpretation.  
  
First, he [Temin] points out that the price inflation really began earlier, when wholesale prices reached a trough of 82 in July 1830 and then rose by 20.7 percent in three years to reach 99 in the fall of 1833. The reason for the price rise is simple: The total money supply had risen from $109 million in 1830 to $159 million in 1833, an increase of 45.9 percent, or an annual rise of 15.3 percent. Breaking the figures down further, the total money supply had risen from $109 million in 1830 to $155 million a year and a half later, a spectacular expansion of 35 percent. Unquestionably, this monetary expansion was spurred by the still-flourishing Bank of the United States, which increased its notes and deposits from January 1830 to January 1832 from a total of $29 million to $42.1 million, a rise of 45.2 percent. Thus, the price and money inflation in the first few years of the 1830s were again sparked by the expansion of the still-dominant central bank.  
  
Arguably, the Panic began in May 1837 when banks in New York City announced they would not redeem commercial paper for specie at full face value. Of the approximately [800 banks in America, all but six](https://reason.com/archives/2014/06/22/the-financial-crisis-of-1837) ceased at one point or another to redeem banknotes and deposits for gold or silver coins. Suspicion and hatred of traditional banks and government-issued money soared, with radicals scrutinizing alternate systems.  
  
The other event dramatically to impact the radical fever from monetary reform was the Civil War for which the North financed its fighting through Legal Tender Acts and the National Banking Act of 1863.  
  
The radicals did not merely theorize; they experimented with private currencies and new economic models. Their efforts are fascinating, but they are also cautionary tales. A major problem for 19th-century individualist-anarchism was the movement’s general acceptance of a link between sound money and the labor theory of value. This theory states that the true value of a good or service is based on the labor required to produce it rather than the price at which a seller and buyer are willing to exchange. In short, a good has intrinsic and not subjective value. (More on this in the section on the Regression Theorem.) Happily, their main economic goal was the abolition of the “money monopoly.” The term referred to three different but interacting forms of monopoly: banking, the charging of interest, and the privileged issuance of currency. The abolition of state power over currency was the focus, and they eschewed the use of force to implement their own schemes.  
  
Josiah Warren provided a real-world example of what was meant by a currency that rested on the labor theory of value. Credited with being the first American anarchist, Warren tested his specific solution to the money monopoly through a Time Store from which he issued “Labor Notes.” In 1827, the business opened with $300 worth of groceries and dry goods that were offered at a 7 percent mark- up from Warren’s own costs in order to cover expenses such as overhead. This was before groceries were prepackaged or preweighed, and it was usual for buyers to bargain with the shopkeeper rather than pay a posted price. One of Warren’s innovations was to post prices, which drove costs lower because transactions consumed less time. The customer paid in traditional money for the goods and paid with a Labor Note to compensate Warren for his time. The Labor Note obliged the customer to provide Warren with an equivalent amount of his time. If the buyer was a seamstress, for example, the Labor Note committed her to render to Warren X units of time to produce clothing. Warren’s goal was to establish an economy—or to establish a proof of principle, at least—in which profit was based on the exchange of time and labor. The Labor Notes were circulated and traded widely with in the community.  
  
To some degree, Warren succeeded. People traveled from a hundred miles away to avail themselves of the Time Store’s low prices. After a few years, he declared the experiment to be a success and closed the store. Whether the Labor Notes *were* a success is questionable, however. The store itself may well have succeeded due to its low prices, not to the Notes. Whichever explanation is true, it  
  
is difficult to see how this novel currency could function in dense populations or on a grander scale of commerce. Few people today would be convinced of the viability of private money based on the Time Store experiment.  
  
What could convince the public and economists that private currencies work as well or better than government-issued ones? Going back a bit further in American history is a good place to start because the future is always based on the past.  
  
**America is Born into Private Currency**  
  
Colonial America teaches powerful lessons about private currencies.  
  
The British colonies naturally used British currency, but the homeland’s dubious monetary policies created a voracious appetite for alternative monies as well. Rothbard explains in *A History of Money and Banking in the United States: The Colonial Era to World War II*, “Great Britain was officially on a silver standard….However, Britain also coined gold and maintained a bimetallic standard,,,,In 17th- and 18th-century Britain, the government maintained a mint ratio between gold and silver that consistently overvalued gold and undervalued silver in relation to world market prices.” Britain’s policies created a robust market in substitutes for its own money.  
  
Gresham’s law ruled colonial money in the same way it rules all currencies. The law: If two monies are officially valued at the same price or a fixed ratio and the market value of one goes higher, then the more valuable money will disappear from general circulation and be used in another manner, such as hoarding or paying off foreign debts. This is the meaning of the axiom “bad money drives out good.” Full-bodied silver coins began to disappear from circulation within the colonies, which turned to lighter silver, commodity-based money, or foreign and privately-minted coins. These monies functioned as fully parallel currencies, with Spanish pieces of eight being particularly popular.  
  
The first privately-minted American coin seems to be the Granby or Higley Token, which was struck by Dr. Samuel Higley of Connecticut in 1737. After Samuel’s death, his brother John produced the copper coins from 1737 to 1739 inclusive. Valuing the tokens at three pence each, John reportedly spent most of them at the local bar, until the barkeeper refused to accept any more. Then he cast coins with one side reading “Value Me as You Please” and the other side declaring “I Am Good Copper.” No value was stamped on the coin, which was common practice in those days. They circulated widely for many years even after John ceased to mint them, because they were a reliable alloy with which goldsmiths made jewelry. Later metallurgical analysis of the Granby found the coins to be 98-99% pure copper.  
  
Another lesson: The 18th-century New York City goldsmith Ephraim Brasher demonstrated a method by which privately-minted coins could circulate widely and without doubts about their purity or weight. Many private minters had good reputations within their own communities, but circulation of their coins was often  
  
limited to those environs. Brasher offered a solution. He became renowned for testing coins upon which he stamped “EB” if they proved to be sound. Backed by his reputation, stamped coins migrated far and wide.  
  
This is a great advantage crypto has over earlier private currencies; its coins do not have the same need to be backed by verification. Unlike physical coins, bitcoins cannot be shaved down, counterfeited, diluted by alloys, or negated by the bad acts of the miners or of users. A bitcoin is a bitcoin is a bitcoin, and no one can alter the fact. This sidesteps the verification of purity or weight.  
  
**How and Why Government Outlawed Private Money**  
  
How did ratification of the United States Constitution in 1788 affect private money?  
  
People assume the United States Constitution grants Congress a monopoly “right” to issue money. The assumption comes from Article 1, Section 8, Clause 5 of the Constitution that delegates to Congress the power “[t]o coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures.” This is assumed to be a monopoly right. In his [pamphlet](http://oll.libertyfund.org/titles/spooner-the-unconstitutionality-of-the-laws-of-congress-prohibiting-private-mails-1844) “The Unconstitutionality of the Laws of Congress Prohibiting Private Mails” (1844), the legal scholar and private-money advocate Lysander Spooner explains otherwise:  
  
[T]he powers of Congress…’to coin money’, are in reality exclusive, only as against the State governments….The constitutional prohibition upon individuals, to coin money, extends no farther than to prohibitions upon ‘counterfeiting the securities and current coin of the United States’. Provided individuals do not ‘counterfeit’ or imitate ‘the securities or current coin of the United States’, they have a perfect right, and Congress has no power to prohibit them, to weigh and assay pieces of gold and silver, mark upon them their weight and fineness, and sell them for whatever they will bring, in competition with the coin of the United States.  
  
The Constitution does address the regulation of “foreign coin,” but private domestic coins remained popular, especially one called the Bechtler.  
  
The 19th century saw a wave of gold rushes in North America. In the late 1820s, both Georgia and North Carolina experienced huge rushes and an accompanying dilemma. There was no government mint in the area. Shipping gold to the main mint in Philadelphia was problematic because it cost a great deal to transport and to insure. A [local paper](http://www.raregold.com/pages/page/bechtlers) explained the miner’s plight:  
  
Since the State Bank has limited her issues and is drawing into her vaults the notes which have been loaned to our citizens, in the settlement of her outstanding accounts, great inconvenience has been let in business transactions with the Bank, and also for the common purposes of commerce. How far this scheme [having a private mint] will succeed in effecting these objects, we have yet to learn. The risk and expense of  
  
sending gold to the [Philadelphia] mint is such that the owners of the mines often find it difficult to dispose of the products of the mines at a fair value, as things now are. The urgent petition to Congress for the establishment of a branch of the US Mint in the ‘gold region’ having failed, and the gold produced being in a fair way to entirely disappear from the country and fall into the rusting hoards of Europe, this scheme has been resorted to.  
  
Gold miners approached the well-respected watchmaker and goldsmith  
  
[Christopher Bechtler Sr. for a private solution](http://www.nytimes.com/1993/09/12/style/coins-an-honest-man-and-his-gold-dollar.html). Because he was also a metallurgist and an honest man, Bechtler was a perfect candidate to start striking coins. The first Bechtler gold coin issued in 1831, followed by advertisements declaring that Bechtler would mint any miner’s gold for 2½ percent of the bullion.  
  
Government’s reaction to competition can be judged by the fact that the United States Treasury lost little time in testing the new coins, probably in the hope of discrediting them. Alas for the Treasury, the Bechtlers were purer than government issue. Indeed, the Federal Mint bought $294,000 worth of Bechtlers and used them to pay debts and to trade with Europe. Suddenly, the government was motivated to open its own Federal mint in Charlotte, North Carolina, which was about 80 miles from the Bechtler one. The Federal Mint began to produce gold coins in 1838.  
  
By the time of Bechtler Sr.’s death, considerably more than one million Bechtlers circulated widely in America, particularly in the southeast. Thereafter, however, the relatives who assumed the business were either incompetent or dishonest. Consistency and purity declined, and the market responded by walking away. The mint closed a few years later because it lived or died on its reputation.  
  
The original Bechtlers continued to circulate, however. They were so popular that, during the American Civil War (1861-1865), the monetary obligations of the Confederacy were specified as being payable in Bechtler gold, not Confederate or other government-issued currency.  
  
The Bechtler coin is both an inspiring tale and a warning. It speaks to the free- market consequences of integrity and of debasement, both of which are non- issues for crypto because it is trustless and the coins cannot be altered. The Bechtler story also demonstrates how the free market outperforms government in terms of moving swiftly into an empty niche and producing quality. As they do today, free-market currencies outcompete government issue. If they cease to do so, the currency fails due to Gresham’s Law. As it did in the past, the government today uses private currencies, such as gold and crypto, while trying to undercut the competition they represent through laws.  
  
Government resistance to competition did not begin or end with the Bechtlers, of course. In his essay “[Hard Money in the Voluntaryist Tradition](http://voluntaryist.com/articles/issue-23/hard-money-in-the-voluntaryist-tradition/#.WKScRfkrKUk),” Watner traces the course of a mint in San Francisco during the California gold rush: Moffat & Co. “Moffat & Co. was apparently the most responsible of the private concerns minting money,” for when, “the businesses of San Francisco placed an embargo  
  
on all private gold coinage” the exception was Moffat. “The remainder of the private issues were soon sent to the U. S. Assay Office to be melted down or else were passed only for their bullion content in trade.”  
  
Initially, Moffat issued gold ingots in direct competition with the U.S. federal Assay Office because no state Assay Office then existed. According to the reference site *Coinfacts*, “The official government assay of these ingots proved them to be worth more than the amount stamped on them.” Moffat outcompeted the government.  
  
The ingots’ denomination was too large for normal trade, however, and merchants demanded smaller coins. Moffat had contracted with the U.S. Assay Office and now asked for the authority to strike coins, as well as the larger ingots. When permission was not forthcoming, Moffat began minting coins under its own mark and authority in 1849. The firm’s high reputation and its policy of redeeming all coins at face value meant that their issue became a popular circulating currency.  
  
Government obstruction did not stop with a refusal to authorize coinage. On April 20, 1850, the State Assayer, Melter, and Refiner of Gold of California was established by law. A companion bill was passed at the same time with the goal of reining in private minters. Along with an earlier measure on April 8th, the bill represented a compromise. *Coinfacts* explained the original position the government had taken toward minters such as Moffat.  
  
It was during the first part of 1850 that there was serious agitation against private coinage. The California Legislature considered a bill…which would have branded private coiners as counterfeiters, and which urged subjecting ‘the makers or passers of such coin to the penalty imposed upon coiners and counterfeiters’. The bill would also have forced the private mints to redeem their coins in ‘lawful money’. The *Alta California* printed the proposed bill along with a supportive editorial. The editor further pointed out the inability to use private coins in payment of customs.  
  
The next day, the *Alta California* ran an open letter from Moffat himself through which he appealed to the people of San Francisco. He acknowledged that the state could not legally issue coins due to Constitutional restrictions, but private individuals had no similar constraint. He pointed to the Bechtler mint that continued to strike coins even though the business was only 80 miles from the federal government’s Charlotte branch. Moffat powerfully reminded San Francisco that no one had ever been defrauded by purchasing or accepting his coins.  
  
The first compromise bill of early April prohibited the private issuance of gold pieces weighing less than four troy ounces. Again, this was an awkward size for normal commerce and almost guaranteed a limited circulation. By contrast, the state Assay Office was allowed to cast gold ingots of two troy ounces. *Coinfacts* observed, “The State Assay Office of California was a unique institution in our nation’s history. It was the only mint to operate in this country under the authority of a state, after 1789. Its issues (though never challenged in the courts) may have been illegal under the United States Constitution, which forbade any state to issue  
  
coins or currency.” The state used the sleight of hand of striking ingots which were not mentioned in the Constitution but which circulated as the equivalent of coins.  
  
The April 20th companion bill further hobbled private minters by requiring them to redeem their coins at face value for government issue. A complicated back and forth between Moffat and both the state and federal assay offices ensued. Moffat received a coining contract with the state and sought federal permission to strike smaller coins; it was denied. Eventually, Moffat resumed issuing its own coins in smaller denominations, whereupon the government granted the firm permission to issue official $10 and $20 coins for the Assay Office.  
  
The federal government changed tactics in 1852. The U.S. Customs House suddenly refused to accept Moffat’s $50 ingots even though they had been issued under the direct authority of the U.S. Assay Office*.* Paying customs was a primary use of the ingots, but federal law abruptly required duties to be paid in coins of 900/1000 fineness rather than the California standard of 884/ to 887/1000. The Treasury Department took the remarkable step of refusing to accept coins issued by its own Assay Office. It invalidated its own coinage.  
  
The history of Moffat & Co. is significant not merely because it illustrates how private money can and will fulfill public needs but also because it lays bare the government’s absolute resolve to eliminate competition in currency and the tactics it used to do so. The tactics remain the same to this day. One is to prohibit the currency by criminalizing it as the California legislature attempted to do through the accusation of counterfeiting. Another is to absorb and control the competition as the Assay Office did by contracting with Moffat. A third strategy is to place huge obstacles in the path of free currencies, which amount to a de facto ban and give a decided advantage to government money.  
  
The government strategy worked. Watner explains, “By October 1856, the Federal mint was apparently able to meet all demands for coins in domestic circulation and for export, so that private issues of gold coin quietly passed out of existence. There is no record of any further private minting in California after this time.”  
  
The history of private minting in early America is deep, pervasive, and intimately tied to the nation’s economic success. Fraud was certainly present but meticulous honesty and solutions to fraud were as well. The mints with high reputations and good business sense succeeded, and they often outperformed their government counterparts, reducing them to the use of force (law) to gain the upper hand.  
  
Government did not act on behalf of the public. If it had, it would not have attacked honest firms that provided desperately needed services to miners, merchants, and purchasers; the public need for currency was ignored by the Treasury Department. Nor does the Act explain why some governments themselves preferred to use private coins on occasion. One explanation makes sense; the government wanted to eliminate the competition not because it was fraudulent but because it could win on a free market. Government acted on its own behalf to line its pockets and strengthen its power.  
  
On June 8, 1864, Congress passed An Act to punish and prevent the  
  
Counterfeiting of Coin of the United States. It read, in whole:  
  
That if any person or persons, except now authorized by law, shall hereafter make, or cause to be made, or shall utter or pass, or attempt to utter or pass, any coins of gold or silver, or other metals or alloys of metal, intended for the use and purpose of current money, whether in the resemblance of the coin of the United States or foreign countries, or of original design, every person so offending shall, on conviction thereof, be punished by fine not exceeding three thousand dollars, or by imprisonment for a term not exceeding five years, or both, at the discretion of the court, according to the aggravation of the offence.  
  
The private minting of currency effectively ceased in America.  
  
The Act was undoubtedly sold to the public as being necessary to protect against fraud. Without excusing whatever fraud existed or suggesting that the crime should not be punished, a caveat emptor or “buyer beware” policy should have applied instead; the buyer is responsible for checking the quality of goods before a purchase. A great deal of fraud could have been avoided if people had not relied on government guarantees but learned to assess quality for themselves. An entire and valuable category of business was criminalized because some participants were dishonest and some customers incautious. These were excuses. The main motivation was for the government to eliminate competition.  
  
Mark Twain reputedly said, “History does not repeat itself, but it rhymes.” To some, private coinage in early America may seem to have little in common with crypto, but there is a common theme. Government is threatened and wants to monopolize or regulate a new private money through a mixture of banning, hoisting obstacles, absorption, and punishment. History is beginning to rhyme loudly.  
  
Ultimately, the viability of crypto and other private currency comes down to two factors. Can the free-market provide a competitive money? And will the state allow private money to exist without regulation?  
  
A large obstacle to the acceptance of crypto in free-market circles has been the conviction that it is not and cannot be a valid money.  
  
**The Regression Theorem**  
  
The example of the Granby coin that continued to circulate due to its value in making jewelry illustrates a principle that has created debate about whether crypto can be viewed a currency at all. The concept is the Regression Theorem.  
  
The Regression Theorem is an economic proposition that is most associated with Ludwig von Mises. It applies the subjective theory of value to the purchasing  
  
power or objective value of money. The theorem does so by tracing objective- exchange values through “the subjective theory of value, whereby the values are traced to the ultimate subjective-use values of the marginal consumers who value such goods and services for their objective-use values which they expect to consume.” In other words, the objective-use value of money goes back to the point at which people valued its non-monetary uses. This raises a problem for fiat that is not consumed as gold or silver can be. Instead, with fiat, “the subjective and objective use values of money coincide and are equal to its objective- exchange value, the estimated value of the goods and services for which it can be exchanged.”  
  
Economics Professor Jeffrey Rogers Hummel unpacks [the concept](http://oll.libertyfund.org/pages/misestmc#response2) further as it applies to fiat. Today’s purchasing power of money “draws on yesterday’s, and yesterday’s…and so on….How far back does the regression…go? Logically, Mises explained, for a commodity money it goes back to the day before the commodity first started being used as a medium of exchange. On that day it had an exchange value or purchasing power due only” to its importance “as an ordinary commodity (for consumption or for use as a productive input) and not for use as a medium of exchange. For…the U.S. dollar that became a fiat money by terminating the redeemability of what had been a claim to a commodity money…the historical chain goes back to the day before termination, and thence back to the day before that commodity became a medium of exchange. Application of the logic to a new fiat money” means applying an official rate of redemption to an established fiat money.  
  
The theorem has been very influential because it elegantly interweaves the purchasing power of money with the theories of subjective theory and marginal utility. The subjective theory of value argues that no good or service is inherently valuable; it has no built-in value due to the labor required to produce it, for example. Instead, its value is determined by how important the good or service is to the specific individuals who sell and consume it. But this value does not remain constant even for those individuals because of marginal utility. Marginal utility refers to the additional satisfaction a person receives from consuming one more unit of a good or service, as measured in ordinal numbers. A starving man would probably value a plate of food as #1 on the list, whereas an overweight person on a strict diet might give same plate a negative rating. After eating his fill, the starving man is likely to devalue the marginal utility of more food and prioritize finding shelter for the night. All economic value is subjective and in flux.  
  
The Regression Theorem needs to be carefully weighed if only because many Austrian and other free-market economists reject crypto on the grounds that it violates the circumstances in which valid money must originate; these people should be natural allies of the crypto community, not critics. Meanwhile, most crypto enthusiasts react in one of four ways to hearing the Regression Theorem objection. They don’t care. They assume the attitude of “if a dog eats it, it is dog food”; that is, if something buys goods and services, it is money. They claim the theorem does not apply to the digital age. Or they insist it *does* apply to crypto in a manner that is misunderstood. The latter two approaches show promise toward  
  
resolving what seems to be a tension between Mises and crypto. Both sides could benefit from clarification.  
  
An initial point: A theorem is a general proposition that is not self-evident but needs to be proven by a chain of reasoning. It has been called “a truth established by means of accepted truths.” It is not an axiom, and it is vulnerable to changing circumstances or additional reasoning. This means the proposition is malleable.  
  
The economist Robert P. Murphy provides another path to explain how bitcoin emerged as a medium of exchange without being tied to a commodity or redeemable in a fixed amount of an established fiat. His [article](http://consultingbyrpm.com/blog/2013/10/why-misesians-need-to-tread-cautiously-when-disparaging-bitcoin.html) “Why Misesians Need to Tread Cautiously When Disparaging Bitcoin” argues, “[T]he very first people to trade for it did so because it provided them with direct utility because they knew there was at least a chance that it would serve to chafe the governments of the world….[T]he early adopters of Bitcoin were doing it for ideological reasons, not for pecuniary reasons.” To Murphy, freedom is the commodity or service value of bitcoin.  
  
Crypto-enthusiast [Jeffrey A. Tucker](https://news.bitcoin.com/skeptic-evangelist-economist-jeffrey-tucker-bits-freedom/) takes a different tack. In a *Foundation for Economic Education* article entitled [“What Gave Bitcoin Its Value?](https://fee.org/articles/what-gave-bitcoin-its-value/),” he points to the purpose that the theorem had originally served; it helped answer the question of why certain commodities emerged as currencies while others did not. The emergence of salt as a currency, rather than sea weed, was due to salt’s direct utility and durability, for example.  
  
Tucker then links crypto not to a hard good but to a hard service that fills a deep need and has direct utility—namely, the blockchain as a payment system.  
  
Bitcoin is both a payment system and a money. The payment system is the source of [non-monetary] value, while the accounting unit merely expresses that value in terms of price. The unity of money and payment is its most unusual feature, and the one that most commentators have had trouble wrapping their heads around…This wedge between money and payment has always been with us, except for the case of physical proximity. If I give you a dollar for your pizza slice, there is no third party. But payment systems, third parties, and trust relationships become necessary once you leave geographic proximity. That’s when companies like Visa and institutions like banks become indispensable.  
  
To Tucker, the non-monetary value of crypto is as a payment system that does not require a trusted third party and has no geographical limitations. The blockchain is what causes crypto to emerge as a medium of exchange. In this manner, the Regression Theorem is applied to bitcoin, but the theorem needs to be updated in order to focus upon the unique services—functioning as de facto goods—that are available in the digital age.  
  
The last word on Regression Theorem belongs to Satoshi. In a post entitled  
  
“[Bitcoin does NOT violate Mises' Regression Theorem](https://bitcointalk.org/index.php?topic=583.msg11405#msg11405)” on the bitcointalk forum that he founded, Satoshi states:  
  
As a thought experiment, imagine there was a base metal as scarce as gold but with the following properties:—boring grey in colour—not a good conductor of electricity—not particularly strong, but not ductile or easily malleable either—not useful for any practical or ornamental purpose and one special, magical property:—can be transported over a communications channel If it somehow acquired any value at all for whatever reason, then anyone wanting to transfer wealth over a long distance could buy some, transmit it, and have the recipient sell it. Maybe it could get an initial value circularly as you've suggested, by people foreseeing its potential usefulness for exchange. (I would definitely want some) Maybe collectors, any random reason could spark it. I think the traditional qualifications for money were written with the assumption that there are so many competing objects in the world that are scarce, an object with the automatic bootstrap of intrinsic value will surely win out over those without intrinsic value. But if there were nothing in the world with intrinsic value that could be used as money, only scarce but no intrinsic value, I think people would still take up something. (I'm using the word scarce here to only mean limited potential supply).  
  
Even if crypto is a valid currency, it must be able to compete with fiat and other money if it is to thrive. What makes a money competitive? This leads to the more fundamental question of “What is money?”  
  
**Currency Can Create Freedom and Civilization…or Oppression**  
  
Historically, money was one of the first things controlled by government, and the free-market ‘revolution’ of the eighteenth and nineteenth centuries made very little dent in the monetary sphere. So it is high time that we turn fundamental attention to the life-blood of our economy—money.—Murray Rothbard, [*What Has Government Done to Our Money?*](https://mises.org/library/what-has-government-done-our-money/html/c/40)  
  
I was seven years old when I realized my parents did not understand some of the most important dynamics of life. I was in the back seat of our car with a bag of candy that had been purchased from a roadside store in the hope of keeping me quiet. It didn’t work. A thought tumbled out of my mouth. “Why do we pay for anything? Why don’t people just go into stores and take what they need?”  
  
My mother replied, “It is wrong to steal.”  
  
I explained, “I don’t mean stealing. I mean why do we give people money instead of just sharing everything?” My parents fell silent.  
  
When I asked again, my mother shot back over her shoulder, “Don’t ask stupid questions!”  
  
They didn’t know the answer; I recognized this immediately. And their inability to explain why we needed money disturbed me because they discussed money constantly. Was there enough to repair the car *and* pay the mortgage? Could they afford to replace the roof? What was the spending cap on Christmas this year? Money ran as a theme through every aspect of their lives and yet my parents didn’t know how to answer the basic question of why we need it.  
  
“Money is how the world works,” my father finally explained, “because it lets people buy the things they need to live.” This was a non-answer because it returned me to not understanding why we bought things instead of simply sharing them. At a childish level, I was trying to understand [monetary theory](https://news.bitcoin.com/money-side-of-bitcoin-theory-history/), and I’ve been struggling with it ever since.  
  
Nothing has been more beneficial in this quest than the short book *What Has Government Done to Our Money?* by Rothbard. He did not use the term “trusted third party” or its equivalent in the book or elsewhere in his writing, as far as I know. Murray was a friend and mentor, however, which gives me some confidence in predicting what his probable reaction to the entire Satoshi hypothesis would have been. I suspect he would not have viewed the need to trust a financial intermediary as a problem because private banks could offer guarantees such as reputation, redemption in gold, and audits. To Murray, the dilemma of modern money seemed to begin with government fiat as the problem, and it ended with the free market as the solution that allowed private financial institutions and currency issued by individuals, should they choose to do so. Murray’s name for his own hypothetical currency was “the Rothbard.”  
  
*What Has Government Done to Our Money?* belongs to the preBitcoin years, but it offers significant contributions to crypto. It explains the origins of money in clear terms, as well as highlighting money’s pivotal role in establishing freedom and civilization. The book provides a context in which to appreciate the immense liberation that is crypto and the immense oppression that is fiat. The book is a deceptively simple exposé of the world’s greatest swindle: [inflation](https://news.bitcoin.com/bitcoin-solves-runaway-inflation-by-undermining-trusted-third-parties/). The scam is only possible when people need a trusted third party in financial matters and government usurps that role through law and central banking.  
  
Understanding inflation requires a common-sense grasp of what money is and what it should be. This is no small feat. Modern monetary theory creates a haze of complexity that ensures average people are left speechless when confronted by basic questions—even by ones that deeply impact their lives. This could be avoided easily. Schools could teach practical economics; government and financial institutions could be transparent rather than brick walls; fiscal policy could be presented in English rather than bureaucratese with impenetrable statistics and math.  
  
This won’t happen by itself. The lack of public awareness benefits the state’s monetary monopoly, and tax-funded public schools are not prone to teach revolution against the hand that feeds them.  
  
**A Brief Tour of the Basics**  
  
Every society exchanges goods and services because trade is a human need. It is the engine of economic life, a wellspring of prosperity, and the basis of survival. Trade is not a zero-sum game, as some economists argue. That is to say, if a person trades a fish for a loaf of bread, one trader’s profit does not cancel out that of the other. Trade is a win-win situation because the exchange only occurs when one person values the bread more than the fish and vice versa. Each one gains from the exchange or else it does not occur. In the process, the traders also establish cooperation and, perhaps, a level of good will that aids commerce in the future. This makes free exchange a main building block of civil society.  
  
Human beings are so magnificently varied that a diverse range of skills exist even within a small group of individuals. Trading these skills increases the odds of survival for both the group and each member in it, but direct exchange or barter is severely flawed, as Rothbard explains. “The two basic problems are ‘indivisibility’ and ‘lack of coincidence of wants’.” “Indivisibility” means a barter good, like a plow, may be difficult or impossible to divide into many parts, which keeps it from being bartered for several things with several people. So no trade occurs. “A lack of coincidence of wants” means Smith has eggs and Jones has shoes, but Smith wants butter. So no trade occurs.  
  
Indirect exchange resolves the barter problem...to a degree. Smith trades his eggs for Jones’s shoes because the latter can be traded to a third person for something Smith *does* desire. This mitigates the lack of coincidence of wants. More importantly for monetary theory, however, indirect trading naturally encourages a medium of exchange to emerge. Why? Traders will favor barter items that are highly desirable and will be accepted by many people. Highly tradable goods tend to share characteristics, including divisibility, durability, fungibility, and transportability. Not coincidentally, these same characteristics often describe good money, and they apply to crypto.  
  
According to Mises’s theorem, the desirable barter item is first valued for its use value. Rothbard lists some commodities that became currencies. “[T]obacco in colonial Virginia, sugar in the West Indies, salt in Abyssinia, cattle in ancient Greece, nails in Scotland, copper in ancient Egypt, and grain, beads, tea, cowrie shells, and fishhooks.” The demand for a good generates a “reinforcing spiral: more marketability causes wider use as a medium which causes more marketability, etc. Eventually, one or two commodities are used as general media —in almost all exchanges—and these are called money.”  
  
Commonly accepted currencies eliminate the need for both barter and indirect exchanges, which can be clumsy, time consuming, and geographically limited. Currencies create a complex free market that allows billions of people who do not know each other to consume products from around the world. In short, money catapults human beings from survival into a prosperity that allows the luxury of time to think, to create art, to enjoy deep relationships, and to take care of their health. A medium of exchange is a foundation of civilization.  
  
Enter government. Currency had played a defining role in freeing and civilizing human beings. Now it would be used to enslave them.  
  
**Inflation, the Greatest Theft of All**  
  
Government does not produce goods and services in the marketplace to sell to customers who desire them. Individuals do this. The state steals wealth from so- called customers by forcing them to pay for “goods” and “services” such as the military whether they want to do so or not. Taxation is the most visible form of stealing. But it is far from the only engine of theft. By crippling competitors who would provide for society’s needs on the free market, government also steals opportunity and unrealized profits from the productive class of people.  
  
The most powerful tool of public theft, however, is the state’s monopoly on issuing money or fiat. Rothbard explains, “The emergence of money, while a boon to the human race, also opened a more subtle route for governmental expropriation of resources….[I]f government can find ways to engage in counterfeiting—the creation of new money out of thin air—it can quickly produce its own money without taking the trouble to sell services or mine gold. It can then appropriate resources slyly and almost unnoticed, without rousing the hostility touched off by taxation.”  
  
The “almost unnoticed” part of the foregoing analysis is key. Everyone understands taxation because it comes with forms to fill out, deductions from a paycheck, imprisonment for evasion, scary agents who audit, and a painful premium on goods at the cash register. Almost everyone resents taxation; outbreaks of resistance, rebellions, and calls for repeal are common themes throughout history; the American Revolution is an example. Predictably, government wants to reduce the presence of enraged mobs protesting its policies in the street. Yet it needs that wealth.  
  
By contrast, a complex and arcane spiral of inflation rarely enrages the average person who does not notice it until the effects are ruinously apparent and inescapable. If taxation is the equivalent of theft with a gun pointed at people’s heads, then inflation is a cat burglar who strips their homes in the dead night. Inflation is also difficult to avoid because government monopolies have embedded fiat and the central banking system at the core of modern commerce. Perhaps the well-know saying should be “nothing is inevitable except death and inflation.”  
  
What is inflation? Inflation is an increase in the supply of money and credit. It is usually associated with government, and justly so, but it can occur with free- market money as well. The supply of gold could increase for various reasons, including huge mineral finds or a massive release of a bank’s reserve. But a crucial difference between state and free-market inflation is that gold fulfills many non-monetary uses. If the supply increases, then consumption for those uses would increase as well since the cost of gold would fall. This means an inflation in the available units of gold would be a good thing for some people—specifically for  
  
those who use gold in a non-monetary manner. In turn, the increased demand for non-monetary gold would both absorb the “excess” supply and drive the monetary value back up. Free-market inflation is self-adjusting and it is accompanied by a social benefit, including an increase in the value of competing private currencies such as silver.  
  
By contrast, fiat’s only use is as money. This means there is no self-adjusting mechanism. World markets may devalue an egregious fiat if other fiats are not even worse. In that circumstance, however, the government with devalued currency can crank up its printing press and create a vicious circle of further inflating the money supply. Fiat inflation is neither self-adjusting nor does it provide a benefit to anyone except the elite class who receive the freshly printed money first.  
  
For the average person, the word “inflation” is a synonym for “a rise in prices,” but the rise is a consequence of inflation, not a synonym for it. As noted previously, inflation is simply an increase in the supply of money and credit. The difference between these two meanings is much more than semantic. Viewing inflation as rising prices misses much of the great harm inflicted by inflation because it implies that all of society faces the same disadvantage: omnipresent higher prices. The opposite is true. Inflation is a class weapon that redistributes wealth from average people upward to the elite in society. This happens because new fiat is initially valued at the same rate as the old units that are already in circulation. Doubling the money supply overnight would eventually collapse the buying power of each unit in circulation, but the operative term is “eventually.” First users enjoy the preinflation value because the damage trickles down slowly throughout the economy. These first users include the state, bureaucracy, financial institutions, and crony businesses that receive favorable loans. The end user is the average person who receives diluted fiat that has lost buying power as it spread through the economy. The average person bears the brunt of inflation by having the value of his wealth and income sink while the cost of living soars. Meanwhile, the upper class enjoys increased prosperity at his expense.  
  
With legal-tender laws and without the gold standard, little prevents government from pumping up money and credit at will, using interest rates for fine tuning. The incentives are all on the side of inflation. It is hugely profitable to the state and mostly invisible to the public, especially in its early stages. The economic villain of free-market advocates, John Maynard Keynes, knew this well. His pivotal book [*The Economic Consequences of Peace*](https://www.pbs.org/wgbh/commandingheights/shared/minitext/ess_inflation.html) declares:  
  
Lenin is said to have declared that the best way to destroy the Capitalist System was to debauch the currency. By a continuing process of inflation, government can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate arbitrarily; and while the process impoverishes many, it actually enriches some. As the inflation proceeds and the real value of the currency fluctuates wildly from month to month, all permanent relations between debtors and creditors, which form the ultimate foundation of  
  
capitalism, become so utterly disordered as to be almost meaningless; and the process of wealth-getting degenerates into a gamble and a lottery.  
  
Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose.  
  
The harms of inflation scroll on. Rothbard emphasizes a less-discussed one:  
  
It distorts that keystone of our economy: business calculation. Since prices do not all change uniformly and at the same speed, it becomes very difficult for business to separate the lasting from the transitional, and gauge truly the demands of consumers or the cost of their operations. For example, accounting practice enters the ‘cost’ of an asset at the amount the business has paid for it. But if inflation intervenes, the cost of replacing the asset when it wears out will be far greater than that recorded on the books. As a result, business accounting will seriously overstate their profits during inflation—and may even consume capital while presumably increasing their investments.  
  
Central banks bear massive blame for the theft and distortions of inflation; the state is ultimately to blame. A central bank is a clearing house for national currency; it is a middleman for a nation’s financial policies. It enjoys monopoly control over the production and distribution of a nation’s money and credit. Typically, it also sculpts monetary policy through mechanisms, such as setting interest rates, and it polices member banks.  
  
The American [Federal Reserve System](https://news.bitcoin.com/tag/federal-reserve/) is sometimes called “private.” For one thing, the regional Reserve Banks are private corporations owned by their member banks. The label is illusory. The Federal Reserve was established by an act of Congress in 1913 and derives its core power from a government-granted monopoly to issue legal tender. The system may mimic a private agency in some ways but, as Rothbard explains, the system of banks are “always directed by government-appointed officials, and serve as arms of the government.”  
  
The Federal Reserve enables inflation. It does so in two root ways: by removing checks on inflation and by directing inflation itself. Rothbard sketched an early deployment of the first tactic. “[T]he Federal Reserve Act compels the banks to keep the minimum ratio of reserves to deposits and, since 1917, these reserves could only consist of deposits at the Federal Reserve Bank. Gold could no longer be part of a bank’s legal reserves; it had to be deposited in the Federal Reserve Bank.” Rothbard illustrates the second tactic of directing inflation. “By controlling the banks’ ‘reserves’—their deposit accounts at the Central Bank. Banks tend to keep a certain ratio of reserves to their total deposit liabilities, and in the United States government control is made easier by imposing a legal minimum ratio on the bank. The Central Bank can stimulate inflation, then, by pouring reserves into  
  
the banking system, and also by lowering the reserve ratio, thus permitting a nationwide bank credit-expansion.”  
  
To the extent that government tightens its grip on money is the extent to which freedom and civilization are weakened. Traditional private money confronts and outcompetes government fiat. But as long as the state can dominate and manipulate money, it can own the financial system down to individual bank accounts, bonds, and the other stored wealth of individuals. It can own your future wealth by diluting it through inflation. Until crypto, anarchism stumbled and fell over the trusted third party problem of the state and banks. Until crypto, the state seemed to have an unshakable grip on currency.  
  
**Civil Liberties and Central Banks**  
  
The central banking system should be rejected not merely on economic grounds but also on civil liberty ones. (Note: I make no distinction between economic and civil rights. They are both expressions of self-ownership; this is the moral jurisdiction every human being has over his own body and peaceful actions simply by virtue of being human. But economic versus civil rights is a common distinction.)  
  
The central banking system is a vehicle of monetary control and funding for anyone in power. According to the *Financial Times*, “Leading central banks now own a fifth of their governments’ total debt.” The six key central banks “that have embarked on quantitative easing over the past decade—the US Federal Reserve, the European Central Bank, the Bank of Japan and the Bank of England, along with the Swiss and Swedish central banks—now hold more than $15tn of assets according to analysis by the FT of IMF and central bank figures, more than four times the precrisis level.” Quantitative easing occurs when a central bank purchases securities, usually government ones, in order to lower interest rates and increase the money supply. This artificially fuels the economy by driving down borrowing costs for households and businesses. But it is unsustainable.  
  
Governments and central banks are not independent. History reveals that collusion between them is inherent and intimate, not accidental. The Swedish Riksbank is widely regarded as the first central bank. Opened in 1668, Riksbank was technically a private, joint-stock bank, but it functioned under strict royal authority; the king mandated the rules of operation and appointed the bank’s management. The entire purpose of the Riksbank was to lend funds to the government and to be a clearing house for commerce.  
  
In 1694, the Governor and Company of the Bank of England was created by Royal Charter. It is a model upon which most modern central banks draw. The Bank of England emerged because King William III’s credit was drek. The joint-stock company provided a path for the king to rake in the public funds that allowed him to continue waging war. William III was at military odds with Ireland, Scotland, and North America, all of which were in various stages of rebellion. More importantly,  
  
however, the Nine Years’ War (1688-1697) with France had devastated England’s navy. No financial institution would risk the £1.2M required to reconstruct it.  
  
Accordingly, English law established artificial incentives to encourage loans to the king. Those assisting in the process became incorporated as joint owners of the Bank of England. Lenders gave the king cold cash in return for which they received exclusive access to the government’s finances. The bank also became the only limited-liability corporation allowed to issue banknotes, using government bonds as collateral. In other words, the Bank of England extended a loan to a recipient no one else would touch; it acquired bonds from the king—the untouchable recipient; based on the bonds, the bank issued money that was lent out again. Without legal privilege, the central bank would not have attracted investors or finance. With legal privilege, the £1.2M was raised in less than two weeks.  
  
Government and central banks are two hands washing each other.  
  
Financial gain is not the only motive for herding people toward the trusted third party of central banks. There is also the hunger for power. War is the ultimate flexing of power through which governments maintain, assert, and expand themselves. War requires money—a lot of it. The question is always how to get enough. There is outright theft, of course. The economy can be looted, but the looted individuals might object and rebel. Such a rebellion had led to the Magna Carta in 1215; a contemporary commentator [warned King John](https://fee.org/articles/war-and-taxes-what-prompted-the-magna-carta/), “With occasions of his wars he pilleth them [the people and nobles] with taxes and tallages unto the bare bones.” John was forced to sign the Magna Carta, presumably under threat of death. He pledged to cease pillaging the economy to pay for his wars. More subtlety in plundering was required.  
  
When a government declares war, it does so on at least three fronts: the opposing government, the people of the opposing nation, and the dissenters within its own population. Some internal dissenters agitate on principle, but their ranks are swelled by those who object to the taxes and other civil liberty violations committed in the name of war. For government, the tricky question is how to extract as much money as possible without incurring a backlash? How can it sidestep the tendency of people to assert their civil liberties and resist?  
  
An under-discussed aspect of central banks and currency manipulation is their impact on civil liberties. Direct taxes, confiscations, and regulations are visible. People understand a hand that reaches directly into their pockets or throws them in jail for refusing to pay taxes for war. By contrast, confusing and non-transparent monetary policies are invisible. People do not understand nor do they immediately feel the impact of quantitative easing, for example. It does not drive them into the streets with picket signs. Instead, people go about their daily lives and simply assume the burden of an indirect tax they do not quite grasp.  
  
To restate this point through a parallel: Inflation is a hidden tax that people tolerate even though they would rebel against a direct one. The inflation is  
  
comparatively unseen and not understood, however. People who would protest a pro-war tax tolerate central bank policies, without which the waging of war would be impossible. Those who are anti-war should call, first and foremost, for the dissolution of the Federal Reserve and of all other central banks. But the role of central banks in financing war is unseen, which permits the government to sidestep a confrontation with anti-war activists. People do not assert their civil rights for no other reason than that they do not know those rights are being violated. The role of central banks in social control remains largely unrecognized because it is arcane.