

Banking as power consolidation, not economic development

Banking institutions have systematically captured and controlled existing commerce for millennia, transforming from simple financial intermediaries into mechanisms of social control, wealth extraction, and population surveillance. Extensive anthropological and historical evidence demonstrates that sophisticated trade networks, credit systems, and monetary instruments operated successfully without institutionalized banking from ancient Mesopotamia through medieval Europe and across global indigenous societies. The deliberate imposition of banking systems through religious authority, state power, and colonial force created artificial dependencies that persist today through compound interest mathematics, digital surveillance, and the financialization of basic human needs.

Money and trade flourished for millennia before banking institutions

David Graeber's groundbreaking research definitively overturns conventional economic narratives about the origins of money and banking. **No example of a barter economy has ever been documented**, despite economics textbooks presenting barter-to-money evolution as historical fact.

(David Graeber +2) Instead, archaeological evidence from Mesopotamia shows elaborate credit systems existed by 3500 BCE - nearly 3,000 years before the first coins appeared around 600 BCE. Sumerian temple complexes maintained sophisticated accounting systems using units of account for resource management, with markets operating largely on credit using these temple accounting standards.

(Wikipedia +4) The first recorded word for freedom, "amargi," literally meant debt cancellation, revealing how ancient societies understood debt's destructive potential and implemented regular jubilees to prevent social collapse. (Wikipedia +2)

Pre-banking global trade networks demonstrate remarkable sophistication without formal financial institutions. The Silk Road operated for over 1,500 years using family and ethnic connections, reputation-based credit, and organic letters of credit developed by merchants themselves.

(Apworldipedia) (UNESCO) The trans-Saharan routes linked North and sub-Saharan Africa through Islamic legal frameworks that provided trust mechanisms without banks, while the Mali Empire accumulated vast wealth purely through trade route taxation. (Apworldipedia +2) The **hawala system, originating in 8th century India, still transfers an estimated \$1.6 billion annually in Somalia alone** (Wikipedia) - operating entirely on honor and trust without physical money movement or banking infrastructure.

Alternative exchange systems worldwide prove banking's non-necessity for complex commerce. Medieval England's tally stick system, used from 1100 to 1826, created unforgeable split wooden records where natural grain patterns provided security features superior to modern anti-counterfeiting technology. (Cleveland Fed +6) Cowrie shells served as currency across Africa, Asia, and Oceania for 3,000 years, with their durability, portability, and uniformity making them ideal money without any banking system required. (Wikipedia +3) The Yap Island's Rai stones, some weighing several tons,

demonstrate how even immobile currency can facilitate sophisticated transactions through verbal ownership transfers - a system UNESCO now recognizes as intangible cultural heritage.

Temples and states systematically captured existing commerce

Michael Hudson's collaborative research with Harvard archaeologists reveals that temples and palaces were history's first banks, creating money as an administrative tool for resource allocation rather than facilitating trade. (Michael Hudson) Sumerian temples established standardized weights, measures, and purity standards necessary for money acceptance, setting interest rates administratively at simple fractions like 1/60th per month for calculation ease. (Michael Hudson +4) These institutions operated bimonetary systems using grain and silver, with **interest-bearing loans between administrators and merchants creating debt cycles requiring periodic "clean slate" cancellations** to prevent systemic collapse. (Michael Hudson +2) The pattern continued through medieval monasteries, which became major financial institutions - the Knights Templar developed sophisticated banking services including international money transfers, (USA Knights Templar +2) while Buddhist monasteries dominated Asian finance before modern banks arrived in the 19th century. (Tontinecoffeehouse +2)

Colonial powers systematically forced populations into banking systems through taxation mechanisms designed to create wage labor dependency. The British hut tax across African colonies required payment in colonial currency, deliberately disrupting traditional cattle-based wealth storage and forcing rural families to send members into colonial labor markets to earn cash for taxes. (Wikipedia +2)

The 1898 Sierra Leone Hut Tax War erupted when inhabitants were taxed 10 shillings for four-roomed huts - rates often exceeding dwelling values, making payment impossible without wage labor participation. (Wikipedia +2) State monopolies on currency creation reinforced this control, with ancient Greek cities making their coins exclusive legal tender (nomisma dokimon) and Rome eventually abolishing all competing provincial coinages in favor of centralized currency supported by strict legal tender laws. (Stack Exchange)

The transition from community credit to institutional control involved systematic displacement of traditional systems that had operated successfully for centuries. Village banking historically functioned through kinship-based lending among friends, relatives, and neighbors at little or no interest, with studies showing these economies were "as sophisticated as those in New York financial markets" despite being relationship-based rather than institutionalized. (Annual Reviews) The decline of informal banking in places like Mughal Bengal after British East India Company occupation caused "serious instability in different sectors of the economy," demonstrating how imposed banking systems disrupted rather than enhanced existing commercial networks. (Banglapedia)

Banking created and maintains social hierarchies through exclusion

Banking systems have consistently served as mechanisms of social stratification through systematic

exclusion and predatory inclusion. Until the 1974 Equal Credit Opportunity Act, American women couldn't obtain credit without male co-signers regardless of income, could only get credit cards as "Mrs. [Husband's Name]," and saw their incomes routinely discounted by mortgage lenders if they were of childbearing age. (Smithsonian American Wom... (FTC Consumer Advice) **Upon divorce or widowhood, women discovered they had no credit history despite years of responsible bill payment** - all records accrued solely to their husbands. Racial discrimination proved equally systematic, with the Federal Housing Administration's 1938 Underwriting Manual explicitly warning against "infiltration of inharmonious racial groups" and recommending restrictive covenants prohibiting occupancy by non-whites. (NPR +3)

The institutionalization of redlining from 1934-1968 created wealth gaps that persist today. The Home Owners' Loan Corporation created "residential security maps" of 239 cities, color-coding neighborhoods with red indicating "hazardous" areas - invariably Black neighborhoods regardless of actual economic conditions. (The Washington Post +2) Banks originated roughly half of all FHA-insured mortgages using these discriminatory guidelines, (Federal Reserve History) spreading racist lending practices throughout the financial system. (Wikipedia) **Research shows 3 out of 4 neighborhoods redlined in the 1930s continue struggling economically today,** (The Washington Post) with the median white family now possessing 13 times more wealth than the median Black family (Medium) - a gap directly traceable to decades of systematic financial exclusion. (Harvard University Press)

(Harvard University Press)

Modern debt peonage continues historical patterns of bondage through financial mechanisms. Southern states after the Civil War used trumped-up charges against Black men to impose unpayable fines, forcing them into debt bondage when local employers "paid" their penalties. (PBS)

(Harvard Law Review) Contemporary criminal justice systems perpetuate this through "Legal Financial Obligations" - fines, fees, and court costs that trap poor defendants in cycles of re-imprisonment.

(PBS +3) **Over 40 states suspend driver's licenses for unpaid court debts,** eliminating employment possibilities and ensuring continued poverty. Credit scoring extends control beyond finance into employment, housing, and insurance - despite having no statistical correlation with job performance or driving safety - creating what researchers call self-fulfilling prophecies where poor scores increase future financing costs, forcing reliance on predatory lending that worsens scores further. (Wikipedia)

(Public Justice)

Church, state, and banking power reinforced each other across centuries

The Knights Templar established history's first international banking system, fundamentally intertwining military-religious power with financial control through innovations like encrypted communications using cipher alphabets based on the Maltese Cross. (USA Knights Templar +4) Pope Innocent II's 1139 bull exempted Templars from taxes while allowing them to collect tithes, creating a

financial empire that **by the 14th century controlled wealth equivalent to 1/9th of the French monarchy's annual income.** (Medievalists) (medievalists) Their destruction by debt-ridden King Philip IV in 1307 demonstrated how financial power threatened even royal authority. (Medievalists +2) The Medici banking dynasty went further, directly capturing papal authority by producing four popes from 1513-1605, (Wikipedia) with Pope Leo X (Giovanni de' Medici) bankrupting Vatican coffers through extravagant spending, then resorting to selling cardinals' hats and indulgences (Wikipedia +2) - financial desperation that contributed directly to the Protestant Reformation.

The 1694 creation of the Bank of England established the template for private central banking that dominates today. King William III, needing funds for wars against France, accepted William Paterson's proposal for private investors to lend £1.2 million at 8% interest in exchange for a banking monopoly over the kingdom. (Bank of England) (Wikipedia) This model - using war debt to justify private control of national money creation - spread across Europe and eventually reached America through the secretive Jekyll Island meeting of 1910. **Seven men representing J.P. Morgan, Rockefeller, and Kuhn Loeb interests met clandestinely for nine days**, creating the plan that became the Federal Reserve despite decades of denying the meeting occurred. (Federal Reserve Bank of Ric...) The resulting system gave private banks control over money creation while maintaining the fiction of government oversight.

Modern revolving doors between banking and government demonstrate continuing institutional capture. Goldman Sachs alone has placed three former CEOs as Treasury Secretary (Rubin, Paulson, Mnuchin), (Britannica) with alumni simultaneously holding key positions during the 2008 crisis - Paulson at Treasury, Dudley at the New York Fed, Patterson as Treasury Chief of Staff, and Kashkari administering TARP. (Wikipedia) **During the crisis, top banks received \$700 billion in direct bailouts while 10 million American homes were foreclosed**, often bought at discount by private equity firms. This pattern extends internationally, with Goldman alumni running central banks from the European Central Bank (Draghi) to the Bank of England (Carney), (Wikipedia) creating what critics call "Government Sachs" - a transnational network ensuring financial interests dominate monetary policy regardless of electoral outcomes.

Banking systems engineer mass impoverishment through mathematical exploitation

Michael Hudson's archaeological research reveals ancient civilizations understood what modern economists ignore - compound interest creates mathematically unpayable debts. Mesopotamian scribes trained in exponential mathematics recognized that debt grows exponentially while real economies grow linearly at best, implementing regular debt jubilees to prevent systemic collapse. (Wikipedia +7) **Ancient rulers prioritized social stability over creditor profits through "clean slate" debt cancellations** - the original meaning of "liberty" (amargi) - because they understood compound interest's destructive mathematics. (CADTM +3) Modern abandonment of these safeguards has created

perpetual debt crises, with Hudson demonstrating through the "lily pond riddle" how exponential processes appear manageable until sudden catastrophic failure. (Michael Hudson)

The enclosure movements demonstrate banking's role in primitive accumulation - the violent separation of populations from means of production. Banks financed landlords' appropriation of common lands, converting subsistence farming to cash crops while creating landless masses dependent on wage labor. Marx identified these as "parliamentary forms of robbery" that legally transferred people's property to private ownership through "reckless terrorism." (Marxists.org) This model was exported globally through colonialism, with World Bank and International Monetary Fund structural adjustment programs forcing land privatization and creating contemporary enclosures targeting women's reproductive labor and natural commons worldwide. (Perlego)

Structural adjustment programs represent systematic debt colonialism, with countries receiving multiple failed loans creating deeper dependency. **Argentina received 30 adjustment loans from 1980-1999, more than any other country**, with each failure justifying harsher conditions until complete economic collapse in 2001. These programs require privatization of public assets, elimination of subsidies, currency devaluation, and labor deregulation - policies that prioritize debt service over human welfare. (Wikipedia) Research shows 17 of 18 countries receiving the most adjustment loans became eligible for debt relief, proving the programs failed to generate growth necessary for debt repayment while successfully transferring public wealth to international creditors.

(Center For Global Developm...)

Banking creates artificial scarcity and embeds surveillance in all transactions

Modern fractional reserve banking operates through what Austrian economists identify as "credit creation out of nothing" - banks create money by making loans, with deposits appearing simultaneously without corresponding reserves. (Cleveland Fed +4) The 1913 Federal Reserve Act replaced competitive local currencies with a centralized system controlled by private banks, (Wikipedia) (Schumacher Center for a Ne...) establishing what Congressional testimony describes as "high-powered, money-driven credit expansion" that "misdirects production, falsifies calculation, and destroys wealth."

The Federal Reserve allowed money supply to contract 35% from 1929-1933, (Britannica) transforming an ordinary recession into the Great Depression through artificial scarcity that forced mass bankruptcies and property transfers to creditors. (Federal Reserve Bank of St. ...)

The financialization of basic needs transforms human necessities into profit-generating assets controlled by banking systems. Housing has shifted from shelter to investment vehicle through mortgage-backed securities and real estate investment trusts, with prices reflecting financial returns rather than human needs. Water rights are being converted into tradeable credits, with Singapore-based Hoch Standard acquiring management rights to 2 million hectares of forest ecosystem services for potential revenue of \$80 billion. (Monthly Review) **Medical debt affects 100 million Americans while**

student loans have grown from \$300 billion to \$1.6 trillion since 2000, [Wikipedia](#) forcing individuals to financialize their future labor and health through debt obligations for previously accessible public services.

Banking's surveillance infrastructure originated with double-entry bookkeeping, systematized by Luca Pacioli in 1494 using Medici Bank practices. This system required recording every transaction twice, creating comprehensive surveillance where all financial activity was transparent to central authorities while maintaining commercial secrecy [Wikipedia](#) - establishing the principle that financial privacy belongs to institutions, not individuals. [MATH VALUES](#) Contemporary credit scoring extends this control, with scores determining employment, housing, and insurance eligibility despite having no correlation with job performance or driving safety. [Wikipedia](#) [Public Justice](#) **137 countries representing 98% of global GDP are developing Central Bank Digital Currencies** that enable programmable money where spending can be restricted to approved categories, time periods, or vendors - creating what IMF officials describe as systems that should operate "alongside a China-style Social Credit Score."

[The Expose - Home](#)

Alternative models demonstrate banking's non-necessity

Successful alternatives to conventional banking prove that financial services can operate without creating dependency or extracting wealth. The Bank of North Dakota, America's only state-owned bank since 1919, has turned a profit every year while contributing \$585 million to the state general fund, supporting local development without shareholder profit extraction. [Fair Observer +2](#) Islamic banking, prohibiting interest (riba) and requiring real asset backing, performed better during the 2008 crisis due to risk-sharing rather than debt creation. [Wikipedia +4](#) **Credit unions serve 130 million Americans with better rates and lower fees** than commercial banks by operating as member cooperatives rather than profit-maximizing corporations. [NerdWallet](#)

Local currencies demonstrate community-level alternatives to bank-created money. Ithaca HOURS operated from 1991-2010s with one HOUR equaling \$10, accepted by hundreds of businesses for local goods and services. [Schumacher Center for a Ne...](#) The Bristol Pound reached 800+ businesses before closing in 2021, keeping money circulating locally rather than extracted through banking chains. [The Human Journey](#) [FasterCapital](#) Switzerland's WIR Bank has facilitated \$2 billion annually in barter transactions between businesses since 1934, [Schumacher Center for a Ne...](#) proving that complex commercial exchange can occur without conventional banking mediation.

These alternatives reveal that banking innovations consistently prioritize control over efficiency - fractional reserve systems create artificial scarcity forcing credit dependence, surveillance infrastructure monitors and modifies behavior, while financialization converts human needs into profit streams. The persistence of viable alternatives demonstrates that democratic, cooperative financial systems can provide necessary services without the extraction, exclusion, and control characterizing

institutional banking. The question facing contemporary societies is whether they will continue accepting increasing surveillance and dependency through privatized monetary control, or choose financial systems that prioritize human welfare over wealth concentration.

Conclusion

This comprehensive investigation reveals banking not as natural economic evolution but as imposed system of power consolidation. From Sumerian temples to Goldman Sachs alumni networks, financial institutions have consistently allied with religious and state power to extract wealth, exclude populations, and embed surveillance in economic life. [\(Naked Capitalism\)](#) The mathematical impossibility of compound interest, recognized by ancient civilizations but ignored by modern economics, ensures perpetual crises that justify further banking expansion and control. [\(Wikipedia +2\)](#) Alternative models from public banking to local currencies prove that financial services can operate democratically without creating dependency, but their marginalization demonstrates how thoroughly banking interests have captured regulatory and political systems. Understanding banking as mechanism of control rather than economic development is essential for recognizing how current crises of inequality, debt, and surveillance originate not from market failures but from banking systems operating exactly as designed - concentrating wealth and power while presenting domination as natural law.