

I Want The Earth Plus 5%



Fabian was excited as he once more rehearsed his speech for the crowd certain to turn up tomorrow. He had always wanted prestige and power and now his dreams were going to come true. He was a craftsman working with silver and gold, making jewelry and ornaments, but he became dissatisfied with working for a living. He needed excitement, a challenge, and now his plan was ready to begin.

For generations the people used the barter system. A man supported his own family by providing all their needs or else he specialized in a particular trade. Whatever surpluses he might have from his own production, he exchanged or swapped for the surplus of others.



Market day was always noise and dusty, yet people looked forward to the shouting and waving, and especially the companionship. It used to be a happy place, but now there were too many people, too much arguing. There was no time for chatting - a better system was needed.

Generally, the people had been happy, and enjoyed the fruits of their work.

In each community a simple Government had been formed to make sure that each person's freedoms and rights were protected and that no man was forced to do anything against his will by any other man, or any group of men

This was the Government's one and only purpose and each Governor was voluntarily supported by the local community who elected him.

However, market day was the one problem they could not solve. Was a knife worth one or two baskets of corn? Was a cow worth more than a wagon ... and so on? No one could think of a better system.

Fabian had advertised, "I have the solution to our bartering problems, and I invite everyone to a public meeting tomorrow."



The next day there was a great assembly in the town square and Fabian explained all about the new system which he called "money". It sounded good. "How are we to start?" the people asked.

"The gold which I fashion into ornaments and jewelry is an excellent metal. It does not tarnish or rust, and will last a long time. I will make some gold into coins and we shall call each coin a dollar."

He explained how values would work, and that "money" would be really a medium for exchange - a much better system than bartering.

One of the Governors questioned, "Some people can dig gold and make coins for themselves", he said.

"This would be most unfair", Fabian was ready with the answer. "Only those coins approved by the Government can be used, and these will have special marking stamped on them." This seemed reasonable and it was proposed that each man be given an equal number. "But I deserve the most," said the candle-maker. "Everyone uses my candles." "No", said the farmer, "without food there is no life, surely we should get the most." And so the bickering continued.

Fabian let them argue for a while and finally he said, "**Since none of you can agree, I suggest you obtain the number you require from me. There will be no limit, except for your ability to repay.** The more you obtain, the more you must repay in one year's time. "And what will you receive?" the people asked.

"Since I am providing a service, that is, the money supply, I am entitled to payment for my work. Let us say that for every 100 pieces you obtain, you repay me 105 for every year that you owe the debt. The 5 will be my charge, and I shall call this charge interest."

There seemed to be no other way, and besides, 5% seemed little enough charge. "Come back next Friday and we will begin."

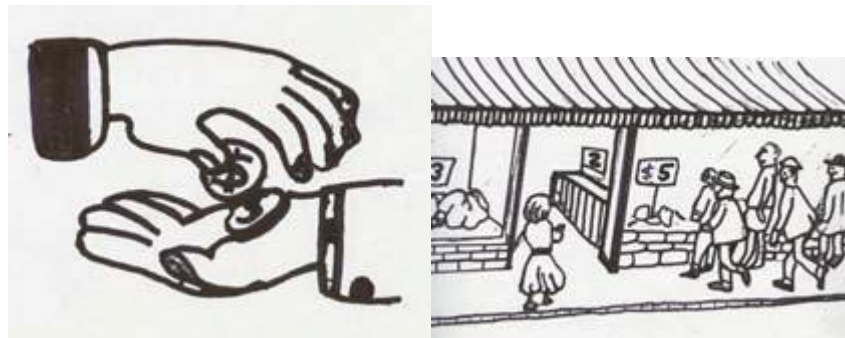


Fabian wasted no time. He made coins day and night, and at the end of the week he was ready. The people were queued up at his shop, and after the coins were inspected and approved by the Governors the system commenced. Some borrowed only a few and they went off to try the new system.

They found money to be marvelous, and they soon valued everything in gold coins or dollars. The value they placed on everything was called a "price", and the price mainly depended on the amount of work required to produce it. If it took a lot of work the price was high, but if it was produced with little effort it was quite inexpensive.

In one town lived Alan, who was the only watchmaker. His prices were high because the customers were willing to pay just to own one of his watches.

Then another man began making watches and offered them at a lower price in order to get sales. Alan was forced to lower his prices, and in no time at all prices came down, so that both men were striving to give the best quality at the lowest price. **This was genuine free competition.**



It was the same with builders, transport operators, accountants, farmers, in fact, in every endeavor. The customers always chose what they felt was the best deal - they had freedom of choice. There was no artificial protection such as licenses or tariffs to prevent other people from going into business. The standard of living rose, and before long the people wondered how they had ever done without money.

At the end of the year, Fabian left his shop and visited all the people who owed him money. Some had more than they borrowed, but this meant that others had less, since there were only a certain number of coins issued in the

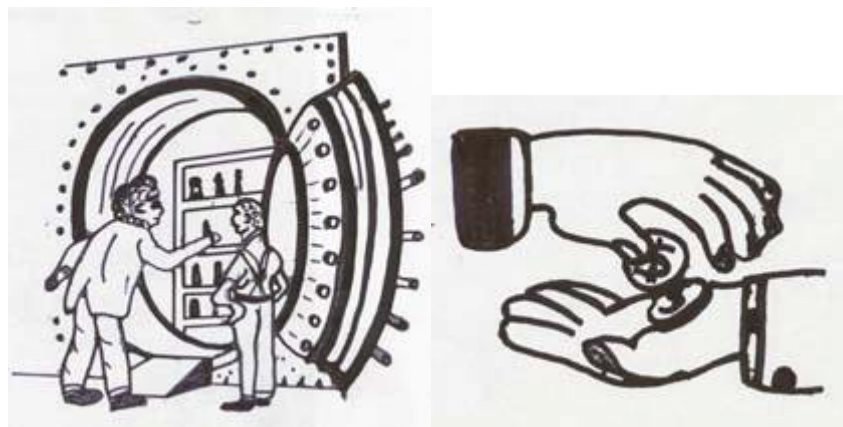
first place. Those who had more than they borrowed paid back each 100 plus the extra 5, but still had to borrow again to carry on.



The others discovered for the first time that they had a debt. Before he would lend them more money, Fabian took a mortgage over some of their assets, and everyone went away once more to try and get those extra 5 coins which always seemed so hard to find.

No one realized that as a whole, the country could never get out of debt until all the coins were repaid; but even then, there were those extra 5 on each 100 which had never been lent out at all. No one but Fabian could see that it was impossible to pay the interest - the extra money had never been issued, therefore someone had to miss out.

It was true that Fabian spent some coins, but he couldn't possibly spend anything like 5% of the total economy on himself. There were thousands of people and Fabian was only one. Besides, he was still a goldsmith making a comfortable living.



At the back of his shop Fabian had a strong room and people found it convenient to leave some of their coins with him for safekeeping. He charged a small fee depending on the amount of money, and the time it was left with him. He would give the owner receipts for the deposit.

When a person went shopping, he did not normally carry a lot of gold coins. He would give the shopkeeper one of the receipts to the value of the goods he wanted to buy.

Shopkeepers recognized the receipt as being genuine and accepted it with the idea of taking it to Fabian and collecting the appropriate amount in coins. The receipts passed from hand to hand instead of the gold itself being transferred. The people had great faith in the receipts - they accepted them as being as good as coins.

Before long, Fabian noticed that it was quite unusual for anyone to actually call for their gold coins.

He thought to himself, "Here I am in possession of all this gold and I am still a hard working craftsman. It doesn't make sense. Why there are dozens of people who would be glad to pay me interest for the use of this gold which is lying here and rarely called for.

It is true, the gold is not mine - but it is in my possession, which is all that matters. I hardly need to make any coins at all, I can use some of the coins stored in the vault."

At first he was very cautious, only loaning a few at a time, and then only on tremendous security. But gradually he became bolder, and larger amounts were loaned.

One day, a large loan was requested. Fabian suggested, "Instead of carrying all these coins we can make a deposit in your name, and then I shall give you several receipts to the value of the coins." The borrower agreed, and off he went with a bunch of receipts. **He had obtained a loan, yet the gold remained in the strong-room.** After the client left, Fabian smiled. He could have his cake and eat it too. He could "lend" gold and still keep it in his possession.

Friends, strangers and even enemies needed funds to carry out their businesses - and so long as they could produce security, they could borrow as much as they needed. By simply writing out receipts Fabian was able to "lend" money to several times the value of gold in his strong-room, and he was not even the owner of it. Everything was safe so long as the real owners didn't call for their gold and the confidence of the people was maintained.



He kept a book showing the debits and credits for each person. The lending business was proving to be very lucrative indeed.

His social standing in the community was increasing almost as fast as his wealth. He was becoming a man of importance, he commanded respect. In matters of finance, his very word was like a sacred pronouncement.

Goldsmiths from other towns became curious about his activities and one day they called to see him. He told them what he was doing, but was very careful to **emphasize the need for secrecy.**

If their plan was exposed, the scheme would fail, so they agreed to form their own secret alliance.



Each returned to his own town and began to operate as Fabian had taught.

People now accepted the receipts as being as good as gold itself, and many receipts were deposited for safe keeping in the same way as coins. When a merchant wished to pay another for goods, he simply wrote a short note instructing Fabian to transfer money from his account to that of the second merchant. It took Fabian only a few minutes to adjust the figures.

This new system became very popular, and the instruction notes were called "checks".

Late one night, the goldsmiths had another secret meeting and Fabian revealed a new plan. The next day they called a meeting with all the Governors, and Fabian began. "The receipts we issue have become very popular. No doubt, most of you Governors are using them and you find them very convenient." They nodded in agreement and wondered what the problem was. "Well", he continued, "some receipts are being copied by counterfeiters. This practice must be stopped."

The Governors became alarmed. "What can we do?" they asked. Fabian replied, **"My suggestion is this - first of all, let it be the Government's job to print new notes on a special paper with very intricate designs, and then each note to be signed by the chief Governor. We goldsmiths will be happy to pay the printing costs, as it will save us a lot of time writing**

out receipts". The Governors reasoned, "Well, it is our job to protect the people against counterfeiters and the advice certainly seems like a good idea." So they agreed to print the notes

Secondly," Fabian said, "some people have gone prospecting and are making their own gold coins. I suggest that you pass a law so that any person who finds gold nuggets must hand them in. Of course, they will be reimbursed with notes and coins."

The idea sounded good and without too much thought about it, they printed a large number of crisp new notes. Each note had a value printed on it - \$1, \$2, \$5, \$10 etc. The small printing costs were paid by the goldsmiths.

The notes were much easier to carry and they soon became accepted by the people. **Despite their popularity however, these new notes and coins were used for only 10% of transactions. The records showed that the check system accounted for 90% of all business.**

The next part of his plan commenced. Until now, people were paying Fabian to guard their money. In order to attract more money into the vault Fabian offered to pay depositors 3% interest on their money.

Most people believed that he was re-lending their money out to borrowers at 5%, and his profit was the 2% difference. Besides, the people didn't question him as getting 3% was far better than paying to have the money guarded.



The volume of savings grew and with the additional money in the vaults, Fabian was able to lend \$200, \$300, \$400 sometimes up to \$900 for every \$100 in notes and coins that he held in deposit. He had to be careful not to exceed this nine to one ratio, because one person in ten did require the notes and coins for use.

If there was not enough money available when required, people would become suspicious, especially as their deposit books showed how much they had deposited. Nevertheless, on the \$900 in book figures that Fabian loaned out by writing checks himself, he was able to demand up to \$45 in interest, i.e. 5% on \$900. When the loan plus interest was repaid, i.e. \$945, the \$900 was cancelled out in the debit column and Fabian kept the \$45 interest. He was therefore quite happy to pay \$3 interest on the original \$100 deposited which had never left the vaults at all. **This meant that for every \$100 he held in deposits, it was possible to make 42% profit, most people believing he was only making 2%.** The other goldsmiths were doing the same thing. **They**

created money out of nothing at the stroke of a pen, and then charged interest on top of it.

True, they didn't coin money; the Government actually printed the notes and coins and gave it to the goldsmiths to distribute. Fabian's only expense was the small printing fee. Still, they were creating credit money out of nothing and charging interest on top of it. Most people believed that the money supply was a Government operation. They also believed that Fabian was lending them the money that someone else had deposited, but it was very strange that no one's deposits ever decreased when a loan was advanced. If everyone had tried to withdraw their deposits at once, the fraud would have been exposed.

When a loan was requested in notes or coins, it presented no problem. Fabian merely explained to the Government that the increase in population and production required more notes, and these he obtained for the small printing fee.

One day a thoughtful man went to see Fabian. "This interest charge is wrong", he said. **"For every \$100 you issue, you are asking \$105 in return. The extra \$5 can never be paid since it doesn't exist."**

Farmers produce food, industry manufacturer's goods, and so on, but only you produce money. Suppose there are only two businessmen in the whole country and we employ everyone else. We borrow \$100 each; we pay \$90 out in wages and expenses and allow \$10 profit (our wage). That means the total purchasing power is \$90 + \$10 twice, i.e. \$200. Yet to pay you we must sell all our produce for \$210. If one of us succeeds and sells all his produce for \$105, the other man can only hope to get \$95. Also, part of his goods cannot be sold, as there is no money left to buy them.

He will still owe you \$10 and can only repay this by borrowing more. The system is impossible."

The man continued, **"Surely you should issue 105, i.e. 100 to me and 5 to you to spend. This way there would be 105 in circulation, and the debt can be repaid."**

Fabian listened quietly and finally said, "Financial economics is a deep subject, my boy, and it takes years of study. Let me worry about these matters, and you look after yours. You must become more efficient, increase your production, cut down on your expenses and become a better businessman. I am always willing to help in these matters."



The man went away still unconvinced. There was something wrong with Fabian's operations and he felt that his questions had been avoided.

Yet, most people respected Fabian's word - "He is the expert, the others must be wrong. Look how the country has developed, how our production has increased - we must be better off."

To cover the interest on the money they had borrowed, merchants were forced to raise their prices. Wage earners complained that wages were too low. Employers refused to pay higher wages, claiming that they would be ruined. Farmers could not get a fair price for their produce. Housewives complained that food was getting too dear.

And finally some people went on strike, a thing previously unheard of. Others had become poverty stricken and their friends and relatives could not afford to help them. **Most had forgotten the real wealth all around** - the fertile soils, the great forests, the minerals and cattle. **They could think only of the money which always seemed so scarce. But they never questioned the system.** They believed the Government was running it.

A few had pooled their excess money and formed "lending" or "finance" companies. They could get 6% or more this way, which was better than the 3% Fabian paid, but they could only lend out money they owned - they did not have this strange power of being able to create money out of nothing by merely writing figures in books.

These finance companies worried Fabian and his friends somewhat, so they quickly set up a few companies of their own. Mostly, they bought the others out before they got going. In no time, all the finance companies were owned by them, or under their control.

The economic situation got worse. The wage earners were convinced that the bosses were making too much profit. The bosses said that their workers were too lazy and weren't doing an honest day's work, **and everyone was blaming everyone else. The Governors could not come up with an answer** and besides, **the immediate problem seemed to be to help the poverty stricken.**



They started up welfare schemes and made laws forcing people to contribute to them. This made many people angry - they believed in the old-fashioned idea of helping one's neighbor by voluntary effort.

"These laws are nothing more than legalized robbery. To take something off a person against his will, regardless of the purpose for which it is to be used, is no different from stealing."

But each man felt helpless and was afraid of the jail sentence which was threatened for failing to pay. These welfare schemes gave some relief, but before long the problem was back and more money was needed to cope. The cost of these schemes rose higher and higher and the size of the Government grew.

Most of the Governors were sincere men trying to do their best. They didn't like asking for more money from their people and finally, they had no choice but to borrow money from Fabian and his friends. They had no idea how they were going to repay. Parents could no longer afford to pay teachers for their children. They couldn't pay doctors. And transport operators were going out of business.

One by one the government was forced to take these operations over. Teachers, doctors and many others became public servants.

Few obtained satisfaction in their work. They were given a reasonable wage, but they lost their identity. They became small cogs in a giant machine.

There was no room for personal initiative, little recognition for effort, their income was fixed and advancement came only when a superior retired or died.

In desperation, the governors decided to seek Fabian's advice. **They considered him very wise and he seemed to know how to solve money matters.** He listened to them explain all their problems, and finally he answered, "Many people cannot solve their own problems - they need

someone to do it for them. Surely you agree that most people have the right to be happy and to be provided with the essentials of life. One of our great sayings is "all men are equal" - is it not?"

Well, the only way to balance things up is to take the excess wealth from the rich and give it to the poor. Introduce a system of taxation. The more a man has, the more he must pay. Collect taxes from each person according to his ability, and give to each according to his need. Schools and hospitals should be free for those who cannot afford them ..."

He gave them a long talk on high sounding ideals and finished up with, "Oh, by the way, don't forget you owe me money. You've been borrowing now for quite some time. The least I can do to help, is for you to just to pay me the interest. We'll leave the capital debt owing, just pay me the interest."

They went away, and without giving Fabian's philosophies any real thought, they introduced the graduated income tax - the more you earn, the higher your tax rate. No one liked this, but they either paid the taxes or went to jail.

Merchants were forced once again to raise their prices. Wage earners demanded higher wages forcing many employers out of business, or to replace men with machinery. This caused additional unemployment and forced the Government to introduce further welfare and handout schemes.

Tariffs and other protection devices were introduced to keep some industries going just to provide employment. **A few people wondered if the purpose of the production was to produce goods or merely to provide employment.**

As things got worse, they tried wage control, price control, and all sorts of controls. The Government tried to get more money through sales tax, payroll tax and all sorts of taxes. Someone noted that from the wheat farmer right through to the housewife, there were over 50 taxes on a loaf of bread.

"Experts" arose and some were elected to Government, but after each yearly meeting they came back with almost nothing achieved, except for the news that taxes were to be "restructured", but overall the total tax always increased.

Fabian began to demand his interest payments, and a larger and larger portion of the tax money was being needed to pay him.

Then came party politics - the people started arguing about which group of Governors could best solve the problems. They argued about personalities, idealism, party labels, everything except the real problem. The councils were getting into trouble.

In one town the interest on the debt exceeded the amount of rates which were collected in a year. Throughout the land the unpaid interest kept increasing - interest was charged on unpaid interest.

Gradually much of the real wealth of the country came to be owned or controlled by Fabian and his friends and with it came greater control over people. However, the control was not yet complete. They knew that the situation would not be secure until every person was controlled.

Most people opposing the systems could be silenced by financial pressure, or suffer public ridicule. **To do this Fabian and his friends purchased most of the newspapers, T.V. and radio stations** and he carefully selected people to operate them. Many of these people had a sincere desire to improve the world, but they never realized how they were being used. **Their solutions always dealt with the effects of the problem, never the cause.**

There were several different newspapers - one for the right wing, one for the left wing, one for the workers, one for the bosses, and so on. It didn't matter much which one you believed in, so long as you didn't think about the real problem.

Fabian's plan was almost at its completion - the whole country was in debt to him. Through education and the media, he had control of people's minds. They were able to think and believe only what he wanted them to.



After a man has far more money than he can possibly spend for pleasure, what is left to excite him? For those with a ruling class mentality, the answer is power - raw power over other human beings. The idealists were used in the media and in Government, but the real controllers that Fabian sought were those of the ruling class mentality.

Most of the goldsmiths had become this way. They knew the feeling of great wealth, but it no longer satisfied them. They needed challenge and excitement, and **power over the masses was the ultimate game.**

They believed they were superior to all others. "It is our right and duty to rule. The masses don't know what is good for them. They need to be rallied and organized. To rule is our birthright."

Throughout the land Fabian and his friends owned many lending offices. True, they were privately and separately owned. In theory they were in competition

with each other, but in reality they were working very closely together. After persuading some of the Governors, they set up an institution which they called the **Money Reserve Centre**. They didn't even use their own money to do this - they created credit against part of the money out of the people's deposits.



This Institution gave the outward appearance of regulating the money supply and being a Government operation, but strangely enough, no Governor or public servant was ever allowed to be on the Board of Directors.

The Government no longer borrowed directly from Fabian, but began to use a system of I.O.U.'s to the Money Reserve Centre. The security offered was the estimated revenue from next year's taxes. **This was in line with Fabian's plan - removing suspicion from himself to an apparent Government operation.** Yet, behind the scenes, he was still in control.

Indirectly, Fabian had such control over the Government that they were forced to do his bidding. He boasted, **"Let me control the nation's money and I care not who makes its laws."** It didn't matter much which group of Governors were elected. Fabian was in control of the money, the life blood of the nation.

The Government obtained the money, but interest was always charged on every loan. More and more was going out in welfare and handout schemes, and it was not long before the Government found it difficult to even repay the interest, let alone the capital.

And yet there were people who still asked the question, "Money is a man-made system. Surely it can be adjusted to serve, not to rule?" But these people became fewer and their voices were lost in the mad scramble for the non-existent interest.

The administrations changed, the party labels changed, but the major policies continued. Regardless of which Government was in "power", Fabian's ultimate goal was brought closer each year. The people's policies meant nothing. They were being taxed to the limit, they could pay no more. Now the time was ripe for Fabian's final move.

10% of the money supply was still in the form of notes and coins. This had to be abolished in such a way as not to arouse suspicion. While the people used cash, they were free to buy and sell as they chose - they still had some control over their own lives.



But it was not always safe to carry notes and coins. Checks were not accepted outside one's local community, and therefore a more convenient system was looked forward to. Once again Fabian had the answer. His organization issued everyone with a little plastic card showing the person's name, photograph and an identification number.

When this card was presented anywhere, the storekeeper phoned the central computer to check the credit rating. If it was clear, the person could buy what he wanted up to a certain amount.

At first people were allowed to spend a small amount on credit, and if this was repaid within a month, no interest was charged. This was fine for the wage earner, but what businessman could even begin? He had to set up machinery, manufacture the goods, pay wages etc. and sell all his goods and repay the money. If he exceeded one month, he was charged a 1.5% for every month the debt was owed. This amounted to over 18% per year.

Businessmen had no option but to add the 18% onto the selling price. Yet this extra money or credit (the 18%) had not been loaned out to anyone. Throughout the country, businessmen were given the impossible task of repaying \$118 for every \$100 they borrowed - but the extra \$18 had never been created at all.

Yet Fabian and his friends increased their standing in society. They were regarded as pillars of respectability. Their pronouncements on finance and economics were accepted with almost religious conviction.

Under the burden of ever increasing taxes, many small businesses collapsed. Special licenses were needed for various operations, so that the remaining ones found it very difficult to operate. Fabian owned and controlled all of the big companies which had hundreds of subsidiaries. These appeared to be in competition with each other, yet he controlled them all. Eventually all competitors were forced out of business. Plumbers, panel beaters, electricians and most other small industries suffered the same fate - they were swallowed up by Fabian's giant companies which all had Government protection.

Fabian wanted the plastic cards to eliminate notes and coins. His plan was that when all notes were withdrawn, only businesses using the computer card system would be able to operate.

He planned that eventually some people would misplace their cards and be unable to buy or sell anything until a proof of identify was made. He wanted a law to be passed which would give him ultimate control - a law forcing everyone to have their identification number tattooed onto their hand. The number would be visible only under a special light, linked to a computer. Every computer would be linked to a giant central computer so that Fabian could know everything about everyone.

By the way, the correct terminology used in the financial world for this system is "fractional reserve banking".

The story you have read is of course, fiction.

But if you found it to be disturbingly close to the truth and would like to know who Fabian is in real life, a good starting point is a study on the activities of the English goldsmiths in the 16th & 17th centuries.

For example, **The Bank of England began in 1694.** King William of Orange was in financial difficulties as a result of a war with France. **The Goldsmiths "lent him" 1.2 million pounds (a staggering amount in those days) with certain conditions:**

- a. The interest rate was to be 8%. It must be remembered that Magna Carta stated that the charging or collecting of interest carried the death penalty.
- b. The King was to grant the goldsmiths a charter for the bank which gave them the right to issue credit.

Prior to this, their operations of issuing receipts for more money than they held in deposits were totally illegal. The charter made it legal.

In 1694 William Patterson obtained the Charter for the Bank of England.