Financial Warfare and the Power of Money: “Attack is the Best Form of Defence”

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The history of financial wars is in no way shorter than the history of conventional wars. However, although many have understood the power of money to subordinate nations, using it as a full-fledged alternative to the use of ordinary weapons began just a century ago.

American bankers played a decisive role in the process, initially subordinating themselves to the USA through the creation of the Federal Reserve System (FRS), and then encroaching upon the rest of the world by succeeding in getting approval of the Bretton-Woods Agreements on the dollar as a means of settling international payments. An equally important outcome of these agreements was the creation of the International Monetary Fund, controlled by the FRS.

As with conventional wars, the aim of financial wars is either the subordination of the state as a whole, or the establishment of partial control over it. The only difference is that with financial wars, physical control over territories is far from obligatory, although in terms of degrees of disruptiveness, financial wars are no less formidable than conventional ones.

As with the major battles of conventional wars, the most spectacular and decisive events of financial wars are crises. The most significant crisis of the 20th century, the Great Depression, allowed all the banks’ gold in the United States to be concentrated in the Federal Reserve and FRS member banks to establish control over the lion’s share of American industry. The financial crisis established in Great Britain in 1992 by currency speculator George Soros, who was closely connected to bankers from the FRS, not only enabled him to earn 1 billion dollars in a single day, but also caused the devaluation of a dozen European currencies, as well as delay the introduction of a single European currency for six years. Most importantly, however, was that it significantly increased America’s influence on the European economy through Americans buying up drastically cheaper shares in European businesses.

Soros was also one of the initiators of the 1995 crisis in Mexico which shelved plans for the construction of an interoceanic canal that would have rivalled the Panama Canal controlled by the Americans. In the same year, Soros dealt a blow to Japan, as the rapid growth of the country’s currency was threatening to transform it into a global financial centre, a rentier state whose yen-denominated loans were ensuring an explosive increase in the economy of Southeast Asia as a whole. Immediately afterwards, with the support of FRS member banks, Soros brought down the financial systems of Indonesia, South Korea, Thailand, Malaysia, Thailand and Hong Kong – all the “Asian Tigers” were firmly shown their place in the cage, having been forced to tie their economies to the US dollar. Taking advantage of a fall in shares of these countries' electronic companies and the resulting fall in the Dow Jones Index, American high-tech corporations – IBM, Intel, Motorola, Compaq, Dell and Hewlett Packard – bought up a considerable amount of these shares, as well as their own shares that had been "dumped" by third party investors.

Mention of George Soros stirs up more than just his role in organising the crises. Even with several billion dollars available, he would not be able to organise crises without enormous preparatory work. Part of this involves shaping the opinions of those involved in the financial market regarding the inevitability of a particular crisis emerging. After which, even a relatively small amount (to the tune of several billion dollars) is enough to spark off panic in the financial market, which would then devalue the currency and shares of a country's key enterprises, if not the whole region.

Since 2012, the threat of the disintegration of the eurozone has increased. In the country most affected by the financial crisis, Greece, they have been talking about rejecting the single European currency, which would undoubtedly lead to a serious weakening of the euro.

As well as the psychological excitation – spreading the idea that the collapse of the European currency is inevitable – there is other preparatory work to be carried out. Other the last few months, the US has been using its best endeavours to create a Free Trade Zone with the European Union with a view to finally removing the remaining barriers to the penetration of American capital into Europe and, after engineering the collapse of the euro, to buy up Europe's tastiest morsels using vastly inflated dollars under the pretext of saving the EU's economy… Or crush any attempts made by the EU to carry out reindustrialisation and increase its global influence.

One could argue that the USA simply does not have the money for such a large-scale operation. In point of fact, it is true that the government does not have enough. The Federal Reserve System does, however, shown by the scandal that recently broke out in the States regarding the FRS providing secret loans to "loyal" banks totalling almost three trillion dollars. The banks that were lent the money used it to buy up shares in promising businesses throughout the world from private banks not part of the FRS and in a difficult financial position as a result of the 2008 crisis. The money obtained from the sale of shares went back to the buyer as debt repayments and back to the FRS. As a result, such huge loans did not cause hyperinflation for one simple reason: the money did not end up in the real economy. Nevertheless, "electronic zeros" taken from a "bottomless pocket" materialised as real authority over actual large-scale businesses.

On the financial battlefield, which the world turned into long ago, there is a rigid division between those who create financial capital and those who import and earn this capital. So, for example, the price of Russian money, which is orders of magnitude higher than the cost of the dollar, the euro and other currencies purchased to guarantee the stability of the rouble. And the build-up of Russian currency reserves only promotes multiple profit increases for the issuers of these currencies. Roughly speaking, the issue of roubles for one billion dollars ensures the emission of not one billion US dollars, but ten billion. The issue of roubles for two billion would guarantee the emission of 20 billion by the Federal Reserve System.

There is one way out of this situation: to turn into the country that is creating, rather than earning, the money. In other words, Russia would guarantee the stability of the rouble using its own resources, the level of its industrial and financial development, rather than its reserves of foreign currency.

How does one get away from supporting one's own money using foreign currency?

The history of money backed by nothing except public consent on its circulation extends back over the last 200 years. From 1837-1866, there were nearly 8,000 different types of "private money" being circulated in the US, issued by a variety of companies, banks and even private individuals. Some of these even became fairly widespread until they were officially prohibited. At the height of the crisis at the end of the 1920s-beginning of the 1930s, a municipality issued its own money which was only circulated within the Austrian town of Wörgl. Surprisingly, circulation of the "Wörgl Shilling" led to a rapid growth in the town's economy, which had a population of 3,000 inhabitants.

A similar thing happened in the American town of Ithaca. The town's local currency, the "Ithaca Hours", is still in operation today, promoting internal trade. The same is happening in the English city of Bristol: the "Bristol Pound" is not only found in paper form, but is also available to use electronically. During the hardest times at the beginning of the 1990s, many Russian businesses had their own "currencies" enabling workers who were not receiving their wages in roubles to survive thanks to goods being sold to them in exchange for this surrogate money. There are also many "electronic currencies" serving as a means of payment for a variety of products and services on the Internet, for the most part by public consent.

Nevertheless, all issuers of this "unreal" money have been watched closely and the volume of emissions preventing their devaluation and ensuring a special rate of exchange for "regular" money is being monitored. However, in the first place they are intended to have an extremely limited range of use and, in the second, they are completely unsuitable for trade with the outside world, since for those kinds of transactions, neither an honest word from the finance minister nor his seal are sufficient.

Some Arab countries have found their own path which is based on a hard peg to gold and silver and are gradually introducing the "gold dinar", a currency whose value strictly corresponds to reserves of gold deposits, for payments among themselves. However, the gold dinar is still an arbitrary way of clearing payments, replacing national currencies only when compensating the balance of payments. National currencies are still in circulation within the countries taking part in this project, many of which are tightly tied to the dollar. And for the additional issuance of gold dinar, they must purchase dollars for oil in order to exchange this money for precious metal. Which is to say that they are still earning money, rather than creating it.

As a measure capable of protecting a number of developing countries' national currencies from the influence of the dollar and the euro, some experts are suggesting that a BRICS Bank, a BRICS Stabilisation Fund and a BRICS Reserve Currency be created based on the currency basket of these countries. There is only one thing this suggestion does not take into account: that all these currencies are backed by reserves of money and securities denominated in major reserve currencies. It is "inferior" and "earned" money, in other words, rather than money that has been created. Massive speculative interventions by those in charge of "bottomless pockets", meanwhile, could easily bring down any of these monetary systems with the exception, perhaps, of China, whose issuers of reserve currencies are insistently demanding the liberalisation of the yuan. Why this is happening is clear if you understand the nature of created and earned money. And although the leadership of the People's Republic of China has still not made any concessions to this pressure, Beijing recently announced plans to relax state control over the national currency.

So it seems that there is a way out of this vicious circle and, what is more, it is relatively simple – if the means to back a new currency for payments between BRICST (why not invite Turkey to join the club?) is not foreign money and securities denominated in this money, but the natural resources, industrial potential and reserves of precious metals present in the member countries of this union.

The first step, in any event, would be for member countries to set up a mutual recognition agreement on the use of a provisional industrial-resource equivalent (PIRE) issued by the project's General Bank. As security for the PIRE, each of the member countries would place mortgage deeds in the General Bank for carefully valued industrial facilities in their own countries; proven reserves of mineral resources; part of their gold reserves; land, forest and water resources; municipal facilities etc. Since the volumes and objects of the mortgage could easily change with the replacement of mortgage deeds either to decrease a country's share or increase it, member countries would have the opportunity to vary not only the exchange ratio of local currencies to the PIRE, but also the volume of emissions as and when needed. An emission centre represented by a General Bank would be a "bottomless pocket" of created (rather than earned) money, backed one hundred percent, unlike the dollar and the euro, by the most valuable resources that exist today. It would also be backed by industrial potential.

The power of the economies of the BRICS (T) countries and the volume of their natural resources would theoretically allow PIRE to turn into an extremely attractive unit of international payments in a relatively short time, and the project's member countries to change from countries earning money to countries creating money and receiving the maximum profit from emissions.

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