

*A Way Out of the Monetary Chaos* -- A Précis and commentary by Thomas H. Greco, Jr.  
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The article, *A Way Out of Monetary Chaos*, by Dr. Walter Zander, was published in the midst of the Great Depression of the 1930's in the *Annals of Public and Cooperative Economics*. It described the way in which the Depression could be ended, but more importantly, it laid out the principles upon which currencies should properly be issued into circulation in order to prevent the recurrent bank runs, panics, crises, depressions, and inflations that have plagued the world for hundreds of years.

**It is natural to expect the reader to ask, “If sound principles of currency issuance have been so clearly articulated, in this document or elsewhere, why have they not been implemented?”**

The answer to that is not difficult to find, particularly at this late date when the abusive issuance of legalized counterfeit political fiat currencies, masquerading as “national or sovereign debt,” has reached astronomical levels. National governments and allied blocs, in competition with one another for dominance, always resort to abuse of their money to pay the enormous costs of maintaining their hegemony and waging hot or cold wars.

I think it is important to give you, the reader, here at the start, Zander's six-point prescription before getting into the details. In his Summary (section 21) he offers this:

**Accordingly, we propose:**

- 1. The introduction of unambiguously determined gold units of account as a monetary basis (e.g. 1 mark - 1/2790 kg. fine gold, 1 Franc - y kg. fine gold. 1 L - z kg. fine gold)**
- 2. The transformation of the whole monetary system on the basis of a gold unit of account.**
- 3. The abolition of the statutory obligation of acceptance for the notes of the central banks.**
- 4. The removal of the monopoly of the central banks and its replacement by general regulations concerning the issue of means of payment.**
- 5. The abrogation of foreign exchange legislation and the re-establishment of a free gold market.**
- 6. The unrestricted right to mint gold coins.**

I want to emphasize that what Zander advocates is that the role of gold should be only to define a unit of account, and **not** that any currency should be redeemable for gold. As I have long maintained, a currency is a credit instrument and credit must be quantified in terms of some real commodity or group of commodities. Zander realized that before I was even born.

I presume that Zander's article was originally written in German in 1935 in The Deutsche Sparer-Zeitung, and translated into English when it was published in 1936. The digital file that I have drawn upon in preparing this précis was provided by John Zube, an Australian, native of Germany, fluent in both English and German, who claims to have a photocopy of the article in his possession.

Recently I have obtained a PDF copy of the actual article as published in the Annals of Public and Cooperative Economics Volume 12, Issue 1, p. 285-305, January 1936. That file can be found at <https://beyondmoney.net/wp-content/uploads/2024/07/walter-zander-annals-of-public-and-cooperative-economics-vol-12-issue-1-p-285-305-january-1936.pdf>. One of my colleagues has also provided a PDF of the German version, *Ein Ausweg auf dem Wahrungshaus*, of the article as originally published. That file can be found at [https://beyondmoney.net/wp-content/uploads/2024/07/zander\\_waehrungschaos.pdf](https://beyondmoney.net/wp-content/uploads/2024/07/zander_waehrungschaos.pdf).

I have inserted in brackets [] my own comments to clarify the meaning of technical words and phrases that may be unfamiliar to the layperson. Some slight changes in punctuation and wording have been made in accordance with present day English language usage. **I have also added, in several places, bold emphasis as a way of highlighting points that are particularly important to note.**

Walter Zander, *A Way Out of the Monetary Chaos*, Annals of Public and Cooperative Economics vol. 12, no. 1 (1936), pp. 285–305. Digital extract available at <https://beyondmoney.net/wp-content/uploads/2024/07/a-way-out-of-the-monetary-chaos-clean.pdf>.

The first four sections of the document describe the nature of the “chaos” and the various measures that were commonly applied in a futile attempt to remedy the situation. I therefore skip over them and begin this excerpt and commentary at section 5. – T.H.G.

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#### (5) NEED FOR STABLE STANDARDS OF VALUE AND FOR REMOVING RESTRICTIONS TO SETTLEMENT OPERATIONS

“It is imperative to create once more reliable and stable standards of value and to secure the removal of the impediments to settlement operations between countries, The solution of these closely related problems has become a question of life and death for our social order.”

#### (6) FALSIFYING THE GOLD STANDARD THROUGH BANKNOTES BEING LEGAL TENDER

Whatever the monetary system of a country, it is essential that the measure of value should be clearly and unequivocally determined. Thus, where there is a gold currency, silver currency, or index currency, the value should be measured by gold, silver, or the index respectively. This basis of measuring economic value, and therefore of any monetary system, is destroyed when, in the case of a gold or silver currency, the notes of the bank of issue are made legal tender, for this compels everybody to accept these notes in payment regardless of their real value. Compulsory acceptance renders it even impossible to measure the notes by the unit of value and thus to ascertain their value within the country. Indeed, it establishes a legal fiction on the basis of which note, and unit of value are identical. For this reason, the names of the units of value (e.g., the terms dollar, mark, pound) become ambiguous in that they mean now a fixed weight of gold and also the note of a bank of issue. Accordingly, the measure of value, on whose unambiguity

everything depends, comes to have two definitions. This renders impossible any real measurement, and thus the whole monetary system is falsified.

This falsification is generally hidden from the public as long as the central bank is legally obliged to redeem its notes. This, however, only masks the reality, since convertibility introduces in the measurement of value an alien element. Indeed, the fact that convertibility becomes a decisive factor shows how the whole problem has assumed a different complexion. Where convertibility is suspended, we have only a pure paper currency, despite strenuous legislative and administrative efforts to keep the value of the paper at a certain definite level, for what counts now is no longer the value of the gold but the question of whether the note of the central bank, measured by gold, changes its value. In fact, the system that has been in general use since the beginning of the World War (1914-1918), including the so-called gold standard or nominal gold currencies, may be described as paper currency standard.

#### (7) COMPULSORY ACCEPTANCE A RELATIVE NOVELTY

Although the compulsory acceptance of banknotes appears today so natural that most people cannot imagine a means of payment not having that character, this system has actually only come into general use in recent times. Here are two illustrations:

Par. 2 of the German Bank Law of 1875, provided:

"Payments statutorily required to be made in money need not be accepted when tendered in banknotes, and the constituent States cannot enact such an obligation for the State treasuries."

This provision was only replaced by its converse in 1909. Article 3 of the Act of 1 June 1909 decreed:

"The notes of the Reichsbank are legal tender."

The course of development was similar in Switzerland. Article 39 of the Federal Constitution of 1874 prohibited once and for all the compulsory acceptance of banknotes.

However, by 1891 the Constitution was amended, and they became legal tender in 1914.

#### (9) COMPULSORY ACCEPTANCE A CONDITION OF EVERY INFLATION

**Moreover, compulsory acceptance for banknotes forms the legal and conceptual basis of every inflation.** In the absence of such an obligation, bank crashes, with all their dire consequences, may occur, but never an inflation, because the destruction of the standard of value and the falsifying of all monetary relations, which are the mark of every inflation, can never result from the collapse of a single bank. This confusion is possible only when a legal equivalence has been established between the notes of this bank and the standard of value. It was compulsory acceptance that brought forth the ominous slogan of the German inflation period, "One Mark is as good as another" ("Mark gleich Mark"). **History has not known an inflation that was not due to the legal obligation to accept.**

#### (10) THE GOLD STANDARD AS GOLD FOR ACCOUNT

If then, the preconditions of an inflation are to be eliminated and a reliable and stable currency is to be assured, and if, more especially, the gold standard is to be restored, the falsification introduced in recent decades must be eradicated and the earlier **separation between standard of value and means of payment must be reestablished. A compulsory exchange rate excludes a stable and safe currency.**

The reintroduction of the gold standard in Germany in October 1923, after the inflation, offers an impressive and instructive illustration. The notes of the Reichsbank, which were legal tender, had completely collapsed and their value could only be stated in astronomical fractions. At long last it was decided to introduce calculating in gold value. First, taxes were thus calculated. Then a new institute of issue, the **Rentenbank** was founded, whose accountancy basis was to be gold units. There was – and this cannot be too strongly insisted on – no legal obligation for the public to accept the new notes as payment, and these notes have to this day never become legal tender. They have therefore never been identified with the unit of value, which was then the gold mark. This system, which lasted from the passing of the inflation in the autumn of 1923 until the introduction of the new Bank Act in the summer of 1924 (which formed part of the series of Dawes Acts), was therefore a pure system of calculating in gold units which was not falsified by any compulsory acceptance.

#### (15) ACCEPTANCE BY FISCAL OFFICES AS BASIS OF VALUE FOR PAPER MONEY

Thus, during the nineteenth century, several German States issued paper money the value of which did not lie in its convertibility [into gold] but in that the State agreed to accept at its pay offices the notes it issued at their face value, regardless of their rate of exchange. German financial science called this **the taxation foundation** ("Steuerfundation").

This acceptance by the State should not be confused with the current obligation to accept, for under the regime of compulsory acceptance the taxation offices, following the universal custom, accept notes at their actual and not at their nominal value [value measured in terms of gold].

#### (16) COMMERCIAL BILLS AS BASIS OF VALUE FOR BANKNOTES

The principle of the commercial bill for the Scottish banknotes corresponds to that of the fiscal foundation for State paper money. Whilst English banknotes have their origin in the receipts given by the London goldsmiths for gold deposited with them (which means that redemption is of their essence), the Scottish notes have a different history. In the latter case, the banks gave in exchange for commercial bills round sums in notes of small denominations, expressing themselves at the same time ready to accept the notes they had thus issued in payment at their face value for the commercial bills they had discounted [bought at a discount from face value]. **Thus, the basis of the value of the English notes was the deposited gold, whereas the value of the Scottish notes was based on goods sold as expressed in commercial bills.**

#### (17) FISCAL FOUNDATION AND COMMERCIAL BILL AS FORMS OF CLEARING

**The fiscal foundation for State paper money and the principle of the commercial bill for banknotes are therefore fundamentally related. In both instances, acceptance by the issuer at their nominal value, regardless of the exchange rate of the paper, is decisive.** The significance of this acceptance (or “reflux”) is manifest. If, for example, the State pays an official with such a warrant, and if the official passes this warrant on to his baker in payment for bread, and if, lastly, the baker liquidates his tax debt with it, then the baker clears his debt to the State with the warrant that the official has passed on to him. In the last resort, we have here a clearing process (i.e., a balancing of mutual obligations). And these settlements, unlike barter or modern international compensatory transactions, are not made without resorting to money. On the contrary, the exchange is operated by means of a clearing process canceling the mutual claims through our monetary system.

**An convertible paper means of payment assumes therefore a reflux [redemption by the issuer as promised]. It represents, in fact, a clearing certificate and derives its value from the exchange of economic services.** This indicates consequently the limit to issues of unredeemable notes. Since the value of freely quoted money, as for instance of the Reich pay notes of 1814 or of the Rentenbank notes, is, like that of every other commodity, determined by supply and demand; **no more notes may be issued than there is a demand for, that is, than must flow back each time to the issuing center).** Thus, in the case of State paper money, the aggregate sum to be issued must depend on the aggregate tax claims due now or due soon. Within this limit, issues are always justifiable. If, however, this limit is exceeded by circulating paper money representing tax claims in the distant future, then depreciation will inevitably follow, even if the State promises to accept the notes at their face value in the future.

**Similarly with banknotes. In principle, only short-term obligations should be admitted as cover. The nearer the due date of the bill, the greater the demand for means of payment in order to redeem it, and the more assured is the value of the banknotes issued in connection with the bill. The more distant the due date and the less assured the payment, the riskier are the notes having such a basis. Rightly, therefore, many bank acts, including Germany's, expressly provided that only sound commercial bills falling due within three months at most may be discounted by banks of issue. Indeed, experience teaches that long-dated financial bills have hurled entire monetary systems into the abyss.**

#### (18) REDEMPTION OR CLEARING

**There exist, accordingly, two entirely independent and wholly different foundations on which the value of paper means of payment may be based: redeemability in precious metal and clearing. There is no third possibility.**

Thus, all paper means of payment in every country today may be classified into these two elements of value. Insofar as notes can be actually exchanged for gold, their value may be attributed to this. So far, however, as there is no redemption and there is an inadequate metallic cover, only clearing can confer value on the notes, either by clearing against commercial bills or against fiscal claims.

The idea of convertibility makes the quantity of means of payment basically dependent on the gold reserve available at any time. This is an entirely impracticable principle. All attacks on the gold standard, directed against this principle, which more especially combat the creditor's right to claim gold from his debtor either directly or indirectly, are to that extent justified. For there is never a possibility of meeting all liabilities by gold payments. ... The economic life of a country would otherwise have to shrink regularly with the shrinkage of its gold reserve. In reality, the exchange of goods remains a necessity and possible, even if there is no gold reserve at all. On the other hand, as the cases of France and the United States today demonstrate, not even the largest gold reserve of a central bank can save a people from widespread unemployment and poverty, **whilst a monetary system intelligently based on mutual clearing can provide a people with work and wealth, even in the absence of any store of gold.**

#### (19) EXAMPLES OF CLEARING MONEY

The diverse possibilities of issuing inconvertible means of payment based on the idea of clearing can only be outlined here. In the first place, we may mention the inconvertible and freely quoted State paper money described above. In most countries today this is to be found in a more or less disguised form. **Besides States [meaning national governments], other corporations, especially local governments, may also issue clearing notes for the imposts they are entitled to raise.** Thus, in the nineteenth century, Hanover city issued notes which promoted most effectively the town's prosperity.

In the economic sphere, railways enter primarily into account as centers for the issue of special railway clearing notes. In Germany there is the noteworthy case of the Leipzig Dresden Railway, founded by Friedrich List. This Railway issued in the thirties of the last century [the nineteenth] railway money to the amount of 500,000 thalers, and this money, to the general satisfaction, freely circulated until the establishment of the Reich. After the World War (1914-1918), the German Federal Railway also repeatedly issued its own means of payment, most of which exhibited the character of goods warrants (i.e. they were based on the principle of clearing). **Naturally, other undertakings, for whose goods or services there is a general and constant demand, would also benefit by such facilities.**

The clearing principle is most particularly useful in international settlements. Thus, leading firms might issue purchasing certificates. For instance, certificates accepted at their face value by the I. G. Farben Company or by Siemens could be disposed of in London, Cape Town, and generally. To make the certificates more widely acceptable, whole groups of undertakings concerned with agriculture, export, or the tourist traffic might agree to **issue purchasing certificates jointly.** Issues might also be undertaken by special foreign trade banks, whose clients would bind themselves to accept the certificates in payments up to a certain amount. Lastly, work provision banks might similarly be established to combat unemployment within countries. For particulars on this subject, the reader is referred to the valuable works of Milhaud and Beckerath, published by the Annals of Public and Cooperative Economy in 1933 and 1934. [Many of these are available via <https://beyondmoney.net/library/>]

The central banks existing at present in most countries ought not to oppose the issue of such means of payment. In this connection, we need not examine here whether these monopoly banks

have fulfilled the hopes placed in them or rather have aggravated all financial catastrophes, such as inflations and deflations. In any case, so long as private enterprise exists at all, mutual clearing cannot be monopolized by a single central undertaking. The idea of a monopoly is most closely associated with the idea of convertibility. **The issue of clearing warrants**, which neither affect the store of gold nor are able to modify the average price level, because they are freely quoted, cannot in principle be restricted to central banks. **It ought rather, within the limits drawn by the State, to be allowed to develop freely.**

(20) ABROGATION OF FOREIGN EXCHANGE LEGISLATION

**[Because of its fundamental importance, I include this section in its entirety, with my emphasis.]**

**Once it is recognized that the value of inconvertible paper money depends on the possibility of clearing it with the issuer, the way is open to abolish the pernicious compulsory acceptance [by means of legal tender laws and others] and to reestablish the gold standard. This, in turn, would facilitate the abrogation of foreign exchange legislation, for this, too, is based in the last resort on the idea of convertibility and of compulsory acceptance.**

**In every country, foreign exchange legislation is, in the main, identical. The endless number of laws, regulations, and principles may be reduced to the following three aims:**

- a) Retention of gold.**
- b) Retention of foreign means of payment (foreign exchange proper); and**
- c) Restriction of payments abroad.**

**Compared with these, all other provisions are of secondary importance. And these three aims may be reduced to one, namely the seizure of gold.** The retention of foreign means of payment and the restriction of payments abroad are only means towards attaining that one object. The foreign means of payment are seized because they are regarded as substitutes for gold and because it is anticipated that by their redemption or, at least, by their being sold on the international market, gold might be obtained in exchange. Inversely, payments abroad are restricted as far as possible because it is feared that, through the efflux of means of payment, the gold reserve might be drained, and the maintenance of the parity be thereby endangered. **The idea that gold is not only the standard of value but ultimately the sole and supreme means of payment lies therefore at the root of this type of legislation.**

**Hence the efflux of gold and the associated threat to the redemption fund have been invariably the direct cause of the enacting of foreign exchange legislation.** Here also the compulsion to accept the notes of the central bank plays a special part. Thus, while the State may leave to their fate the freely quoted notes of a private bank, without the monetary unit being affected in case the bank should suffer exchange losses, the statutory obligation to accept the notes of the central bank implies that they are identified with the country's standard of value. A loss in exchange in the case of the latter involves therefore a modification in the monetary basis itself. Accordingly, the State, because of its self-imposed equalization, is compelled to maintain the parity of the notes of the central bank as long as it is committed to protecting its standard of value from fluctuations.

The identification of the monetary unit with the notes of the central bank has, lastly, created another source of danger which has repeatedly acted as a decisive factor in the introduction of foreign exchange legislation, namely its close association with certain large-scale banks at home. Thus, the collapse of the Kreditanstalt in Austria and the Darmstadt Bank in Germany instigated the introduction of foreign exchange legislation in those countries. Of itself, there existed no direct connection between these banks and the monetary standard, and the example of Sweden, which did not rush to the aid of the collapsed Krueger undertakings, shows that in such emergencies other methods may be applied than those chosen by Austria and Germany.

**However, where through the obligation to accept the notes of a given bank a statutory bridge has been built between the banking system and the national currency, the temptation will always exist to shift the liquidity difficulties of the banks onto the shoulders of the currency.**

All these problems assume a very different complexion if we take inconvertible means of payment to be what they really are, namely means of clearing in relation to an issuer. **A fundamentally inconvertible note, the value of which lies exclusively in the issuer accepting it and which therefore really involves no claim to payment in gold but a claim to the services of the issuer, can never lead to a reduction in the gold reserve. A State paper money based on such principles could be freely allowed to go abroad without this prejudicially affecting the currency. It could never entail liabilities in precious metal. On the contrary, it would necessarily lead to goods being exported and may even be followed accordingly by an influx of gold or foreign exchange.**

**What matters is that the means of payment shall not be legal tender; in other words, that it must be accepted only by the issuer at its face value. With this condition satisfied and the above-mentioned limit to issues being respected, even the heaviest losses on foreign bourses would involve no danger; for the lower the market rate falls, the greater the temptation would be to acquire the warrants, inasmuch as the issuer has to redeem them at their nominal value, the exchange rate difference being thus converted into a gain. Everybody therefore who has to meet his obligation with these warrants – in our example the taxpayer – will try to benefit by such falls and thereby produce a steady demand which has the peculiarity of rising as the market rate falls. This necessary demand provides the suction power that imparts value to the inconvertible paper money. Such a means of payment need not dread the throwing open of frontiers. In the words of a Swiss writer, it will, "like a carrier pigeon", always return to its point of departure and necessarily lead to a demand for home products abroad, in this way furthering the export trade.**

**Since such a clearing warrant has, by definition, a free-market rate and is therefore not linked to the currency unit, the latter cannot be affected by any fluctuations in the value of the former.**

For clearing warrants of the type described, foreign exchange legislation ceases to have any meaning, because any stipulations relating to convertible money would lose their point. **In all countries, therefore, sound clearing warrants should be freed from their fetters, since they were only imposed on them on account of the unsound ones. Thus, one should at last bestow on our time the freedom of movement denied it today because of the past. That is,**

**foreign exchange legislation should be abrogated at least for sound warrants. Given this first step, the basis for a new economic structure is laid.** Further progress will be thereby facilitated, for in most countries the inconvertible notes could be converted without difficulty into State paper money, thus investing the present state of things in this matter with its proper form.

Should, however, one or another central bank have transgressed the limits that would apply to a fiscal foundation, it will not be difficult to remedy this without fettering a country's general economic life by foreign exchange legislation.

Nor can it be objected that the national economy requires foreign exchange and can therefore not be satisfied with clearing transactions, for to begin with, we should remember that probably in all countries depending on foreign exchange, the supply of the latter has shrunk despite the most stringent legislation, and that therefore the object aimed at has not been fully attained. But a more important point is that both commercial and financial debts, according to firmly and universally established views, can only be liquidated by the goods or services of the debtor, and it is only these that are offered by clearing warrants. It must therefore be again possible to start payment operations on this basis. So far as the importing of raw materials is in question, this cannot be challenged. A clearing warrant unhampered by foreign exchange legislation and made out in gold units is a fully utilizable means of payment so long as there is a demand on the world market for the goods and services of the issuing country. If this condition is not satisfied, then foreign exchange legislation also would be of no avail. If an exchange of goods is actually impracticable – that is, if the country no longer plays a part in the world economy – no debt can possibly be liquidated; this holds equally of commercial and financial debts. No one can expect that a country possessing no gold should pay in gold. Every creditor should therefore recognize that a debtor can only offer a lien on (a right to –Ed. [John Zube]) his goods and services.

Years ago, the Economic Committee of the League of Nations expressed the same idea when it said that creditor countries must either agree that debtor countries may directly or indirectly redeem their obligations in goods or services, or they must be resigned to not receiving any payments. **The clearing warrants described here indicate the way in which even heavy liabilities may in time be honestly liquidated, to the common advantage of creditors and debtors.**

Once the banknotes that had become inconvertible have been superseded by clearing warrants, the free gold market can at last be reestablished. **As soon as gold has been divested of the property ascribed to it of being the exclusive means of payment and representing the core of all money claims, it becomes again a commodity like any other.** Its free movement no longer causes alarm and may therefore better fulfill the function of a standard of value. This completes the circle of our proposals for the free gold market which here appears as the result of clearing, and at the same time presupposes it, since **the various means of payment can be reliably valued only when gold may be freely moved.**

**It follows, lastly, that under the system above outlined there would be no objection to gold coins being minted for private firms not (as seems to be the intention at present in France)**

as a form of note cover but for actual and immediate circulation with a view to measuring by them at any time the value of all other means of payment.

## (21) SUMMARY

Accordingly, we propose

1. The introduction of unambiguously determined gold units of account as a monetary basis  
(e.g. 1 mark - 1/2790 kg. fine gold, 1 Franc - y kg. fine gold. 1 L - z kg. fine gold)
2. The transformation of the whole monetary system on the basis of a gold unit of account.
3. The abolition of the statutory obligation of acceptance for the notes of the central banks.
4. The removal of the monopoly of the central banks and its replacement by general regulations concerning the issue of means of payment.
5. The abrogation of foreign exchange legislation and the re-establishment of a free gold market.
6. The unrestricted right to mint gold coins.

## 2.2. THE PRACTICAL REALIZATION OF THE PROPOSALS

### a) Through international agreements

So long as the principle of central banks is retained and their notes, being made legal tender, are identified with the standard of value, no international agreement will be able to prevent the recurrence of present-day conditions, for under this system the collapse of a single leading bank, to say nothing of the collapse of the State finances, may render impossible the maintenance of parity. However, even if, to meet such cases, the several countries concluded a convention providing that the gold reserves of the diverse central banks should be automatically mobilized to save the currency of a country in need (a scarcely credible supposition), even this would be insufficient in hard cases, for the magnitude of the monetary obligations maturing at any given moment would probably always exceed the quantity of available gold.

It also remains a moot point how the problem of foreign exchange legislation could be settled at such a conference, seeing that the granting of loans, useful as these would be to those immediately concerned, in no way solves this problem. And yet without this, even a fresh determination of parities would prove unsatisfactory. **On the contrary, the object should be to rebuild on a sound basis the entire system of international payment arrangements.**

### b) Through intrastate legislation

From what precedes follows the possibility that each separate State, having made up its mind, may, by abolishing the compulsion to accept and by recognizing the reflux principle, could reestablish for itself the gold standard and rescind its foreign exchange legislation. This may seem fantastic, but the reader should remember the German inflation period. Then, too, an escape without external assistance appeared impossible. "The hole in the West", speculation on foreign

bourses, and similar obstacles, which Germans could not control, were quite generally regarded as the causes of the depreciation of the mark. Eventually, when things were at their worst, when in some parts of the Reich serious disorders had broken out, and when external help was out of the question, the country succeeded, by its own efforts, without the aid of any foreign Government, without an international conference or convention, to stabilize the mark, to safeguard it against all foreign speculation, and even after a few months to abrogate the foreign exchange legislation then in force. Today, as at that time, the free resolve of any country may determine the fate of its currency.

c) Through private initiative

Even if, however, no State were for the moment ready to proceed along this line, there remains the possibility of finding a way out of the monetary chaos through private initiative or at least to prepare the way for this. When in the eighteenth century the national monetary units, because of alleged State needs, continually fluctuated and when it was therefore impossible to rely on the value of currencies even for a moderate time, Hamburg merchants, more particularly, discovered a way out. By founding the famous Hamburger Girobank, following the centuries' old Chinese Tael system, they made themselves independent of the debased State coinage, by adopting as the basis of all their accounts an unminted definite weight of silver in the place of State money. This weight, called Mark Banko, constituted an unchangeable unit of calculation, which came to be of the greatest service economically for the whole of Northern Europe.

...

Private calculation in gold, like the erstwhile Mark Banko system, should be independent of the national currency. It should be therefore based on a separate unit, for which a simple calculation in grams of fine gold suggests itself here. This would also serve as a basis for an international calculating unit, which has been widely desiderated for many decades.

All that would be demanded of the State is **not to prohibit calculating in gold**. The State could never suffer through this, for even if a government should deem it expedient to devalue the national currency, as was frequently the case already in the seventeenth and eighteenth centuries, **there can be no ground for imposing a devaluated currency unit on those who had freely agreed to use for their economic transactions among themselves another and constant value basis.** ... Once it is demonstrated, however, that the monetary chaos, which seems to most men the work of an inscrutable fate, may be overcome, the profoundly beneficent effects of this for the peoples of the world will not fail to become apparent.

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