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# Falling Empires and their Currencies

## Part I: From the Fall of Rome to the Fall of the British Empire

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*When empires fall, their currencies fall first. Even clearer is the rising debt of empires in decline, because in most cases their physical expansion is financed with debt.*

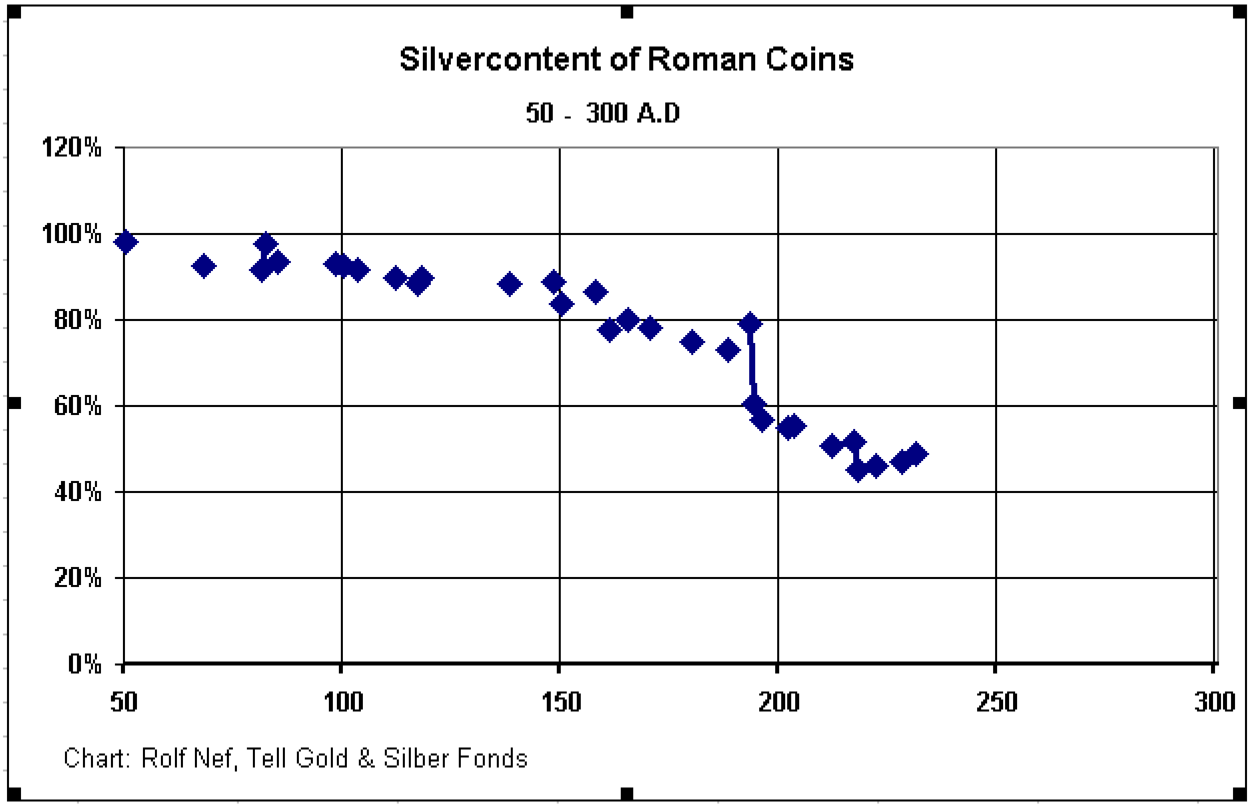
In each case presented we have some useful statistical data to show the drama. Every case is different, but the common thing is that the currencies of each and every one of these falling empires lost dramatically in value. Let me go through every case starting with the Romans **(Graph 1)**

Rome

The first graph shows the silver content of Roman coins from 50 A.D. to 268 A.D. But the Roman Empire existed from 400 B.C. to 400 A.D.. Its history is the history of physical expansion, like the history of almost all empires. Its expansion was driven by a citizen soldier army, paid in silver coins, land and slaves from occupied territories. If there was not enough silver in the treasury to conduct a war, base metals were added to coin more money. That is to say, the authorities debased their currency which presaged the fall of the Empire. There was a limit to the expansion. The empire became over-stretched, running out of silver money, and eventually went under, overrun by barbarian hordes.

http://globalresearch.ca/images/wpe1.gif

**GRAPH 1**

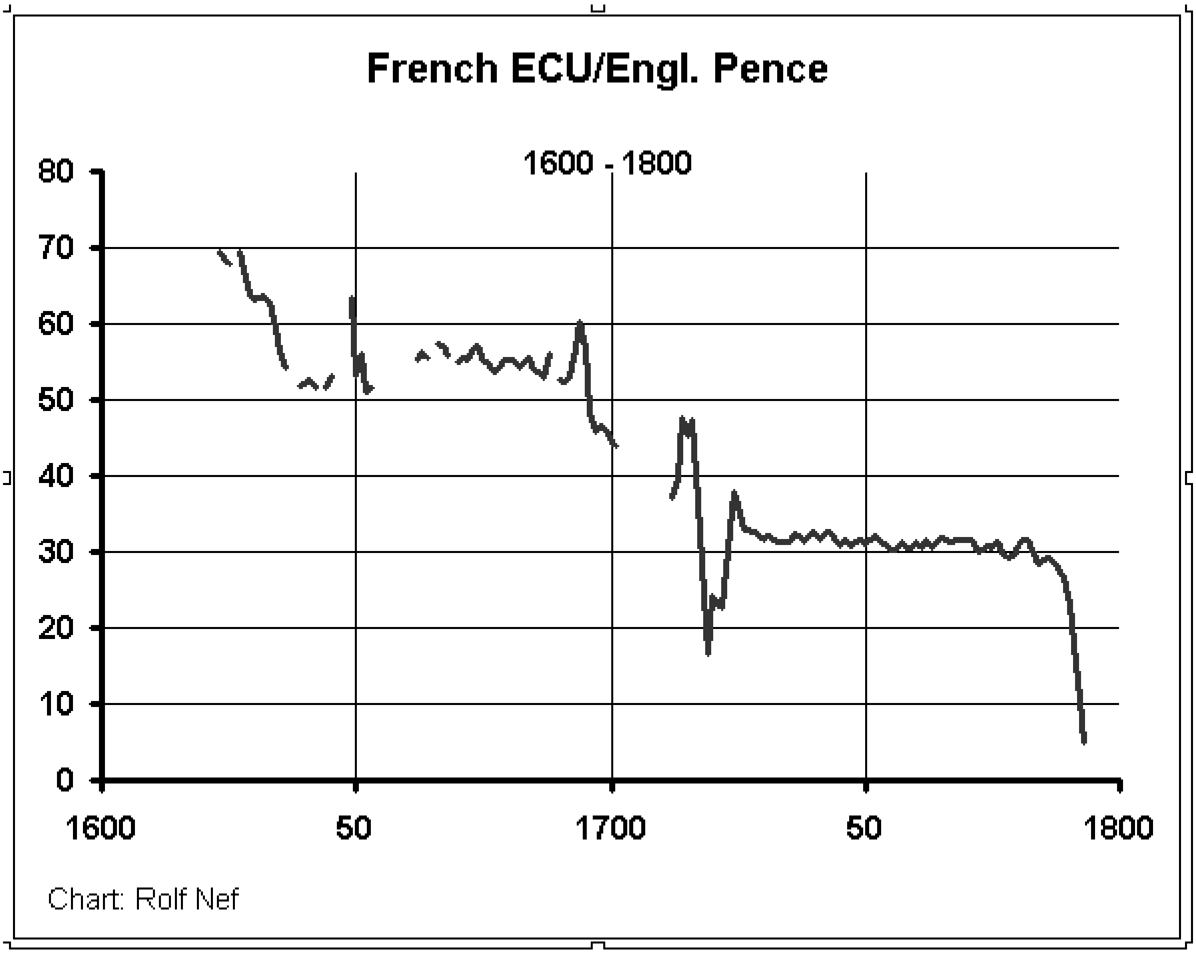



France

The second case is France during the time of the Bourbon monarchs who ruled France from 1589 to their fall in the French Revolution in 1792. **Graph 2** shows the value of the French currency versus the British from 1600 till 1800, when it became completely worthless. The kings of France were constantly fighting overseas wars in Africa and America, and, of course, financed those wars with credit. The so-called Seven Years' War (1756-1763) proved to be very expensive for France. The outcome of that war, in a bitter fight with Britain over their American colonies, was that France lost almost all significant foothold in the Americas and its navy fleet as well. Britain emerged as the dominant power in the world. The land of the colonies, and its potential tax revenues to the French state, were gone, but the debt and the cost of interest remained. In 1781, the cost of interest as a percentage of tax income was 24 %. By 1790 it had risen to a staggering 95 % of total tax revenue! Tax was paid only by the so-called Third Estate–peasants, working people and the bourgeoisie, i.e. the mass of the population– but not by the Church or the nobility. Not surprisingly, the French Revolution started. The nobility was hanged on the lantern posts of Paris, the church lost all its property, and the king got beheaded at the guillotine.

http://globalresearch.ca/images/wpe3.gif

**GRAPH 2**

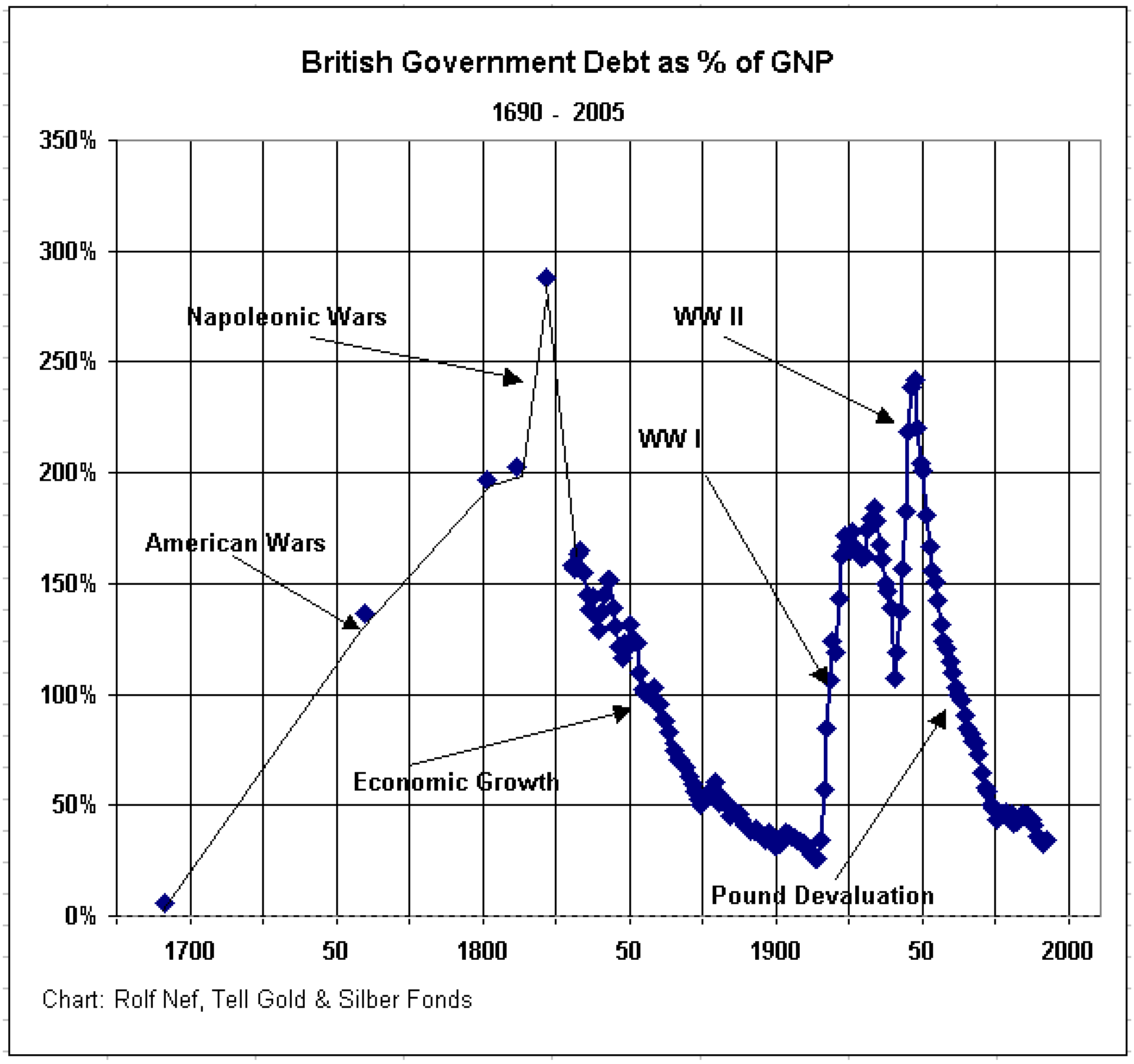



**Great Britain**

The British only looked like the winners, but the Napoleonic wars from 1805 to Waterloo in 1815, and the loss of the American colonies (these ruthless guys didn't want to pay taxes to king George to finance his wars for conquering and looting other peoples and lands), drove His Majesty's government debt to the sky **(Graph 3)**. But the better way of financing it with the perpetual consols and annuities with the Bank of England (which was founded in 1694 by King William III and his business friends from Amsterdam on a private basis), saved them from bankruptcy. Nevertheless, the Bank of England had to stop the exchange from paper to gold. Their great good fortune was that the industrial revolution with the steam engine started in England, which brought unprecedented economic growth and let the debt fall in relative terms.

http://globalresearch.ca/images/wpe2.gif

**GRAPH 3**




France after Waterloo had been militarily beaten and no other enemy or rival for global hegemony was in sight. The 19th century was the time when the British upper class had the time to spend all the loot and plunder from its colonies. They came to Switzerland, climbed the mountains (Matterhorn was first climbed by a British climber). They were the first to go to St. Moritz in wintertime holidays, as well as many other places. They were perceived as gentleman, because here so much money could only be earned by hard and serious work, at least at that time.

But France and generally the Continent remained the potential enemy. When Bismarck started war against France in 1871, London found it to its liking, as it was to her advantage to have a weakened France. But the defeat of France gave birth not only to a new united Germany under Bismark and Prussia, but also to a new economic powerhouse, Germany.

Britain, where the first Kondratieff cycle started with the steam engine fell into a heavy depression by 1873. But Germany started the new Kondratieff cycle with the diesel-, gasoline- and electric engine (founders were all German: Messers. Diesel, Otto and Siemens). Soon Germany was producing more steel than England. The new source of energy, oil, made the German war ships faster than the English one, something of great concern to London. When Deutsche Bank and Georg von Siemens initiated the Baghdad railway, which went from Berlin through the Austrian empire, Serbia and into the Ottoman empire to the oil fields in Kirkuk, north of Baghdad (oil was at that time only known in Baku, Russia, Kirkuk and Pennsylvania, USA). The new German rail link with Baghdad was out of range of British sea power and their controlled waterways. The alarm bells went on in Whitehall.

When a young new German Kaiser, Wilhelm II became Kaiser in 1888, he began to assert his own role in foreign policy in direct challenge to the system of the Iron Chancellor, Bismark, who had carefully forged a system of alliances around Germany to ensure her peace and economic freedom. In 1890 Bismarck, got sacked by Kaiser Willhelm, because Wilhelm wanted colonies and Empire like his relatives who were monarchs in England, France and Spain. With Bismark gone, the British decided for a war, one in which the Continental powers would crucify each other. Britain calculated she could easily break up the tottering Ottoman empire in order to get Mesopotamia with Kirkuk and its oil under control, to pull the plug on the emerging German oil line to Baghdad and to take Mesopotamia and the oil-rich Middle East including Persia itself. The plan is what became known in history as World War I. It didn't quite turn out as hoped by London.

Instead of being a war lasting a few weeks as had been expected, the undertaking was huge and costly, lasted over four years, cost millions of lives and was fought on a global theatre. The foundation of the US Federal Reserve central bank was part of the preparation for the war, as it was an ideal financial reserve for the UK Treasury. The main person involved in it were Rothschild of London together with Warburg and J.P. Morgan of New York. Without the Fed, the chances for Britain to finance a great war would have been much smaller.

How did the American financial help work? When the British government bought war goods in the US and paid with British Pounds, the US manufacturer, Winchester or whatever, sold the Pounds to the Fed, which did not exchange it to gold from the Bank of England, but kept it as currency reserve. The currency in circulation in the US of that time rose by about 45 %. So the war was partly paid by the small American guy through higher inflation.

The new law creating the Federal Reserve, only months before the outbreak of war, a silly name, got pushed through an almost empty Congress on December 23 1913. It was a de facto bankers' coup. In April 1914 the British King George V together with his foreign minister Edward Grey, visited the French President Poincaré. The Russian ambassador Iswolksi joined the conference. End June the Prince of Austria, Francis Ferdinand, heir to the Austro-Hungarian Empire, got shot in Sarajewo. That event started the war with the declaration of Austria against Serbia, which in turn drove Russia against Austria and kick-started all the tangled web of mutual defence treaties across Europe. By August 1914, Russia, Austria, Germany, France and UK were all at war. In 1917 a British army marched into Baghdad, used poisoned gas and got the oilfields under control. The Ottoman empire fell and the continental European powers crucified each other.

The British got what they wanted, but at huge cost. The government debt rose from 20% of GNP in 1914 to 190 % in 1920, only to indicate the British financial cost **(Graph 3)** or from 0.7 bio **£** to 7.8 bio £. The Second World War gave the British the rest. The total human cost of the war was an unprecedented 55 million dead. The Pound lead the way of the Empire: down **(Graph 4)**. Besides some rocky islands, not much is left of the Empire. Relative to the Swiss Franc, the Pound lost until today more than 90 % of its value, in real terms even more.

http://globalresearch.ca/images/wpe3.gif

**GRAPH 4**

The reparation demands by the victors against Germany went through Italy, France and England and back to J.P. Morgan in New York, the main creditor and of these allied countries. Of course Germany could not pay, but it laid the basis for the next World War II and the rise but also fall of the next power: the USA.

Part II of this article, forthcoming on Global Research, pertains to the period from the Fall of the British empire to the Present. It includes an analysis of the ongoing Currency Crisis.

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I wish to express my appreciation for the political insights of William Engdahl, author of the book ‘*A Century of War: Anglo-American Oil Politics and the New World Order,*’