

The Tally Stick System

This next example of financial manias comes from the Peaceful Revolution Network's study on the history of money. It details how the Bank of England helped destroy a monetary system which had operated successfully for over 700 years. It also highlights the sentiment expressed by President James Madison in relation to banks: "History records that the money changers have used every form of abuse, intrigue, deceit, and violent means possible to maintain their control over governments by controlling money and its issuance."ⁱ

King Henry I introduced the tally stick system after coming to power in 1100 AD. The tally sticks were sticks of polished wood, with notches cut along one edge to signify the denominations. The stick was then split full length, so each piece still had a record of the notches. The King kept one half for proof against counterfeiting, and then sent the other half into the market place where it would circulate as money.

Because Henry only accepted Tally Sticks for payment of taxes, there was a built-in demand for them, which gave people confidence to accept these as money.

The Bank of England was established in 1694 as a privately-owned bank. These bankers quickly realised that the Tally Sticks were outside of their power, and set about creating their own fractional reserve system that was under their control. This system was later to become the model on which today's central banking system exists today.

With its formation, the Bank of England soon flooded Britain with money. With no quality control and no insistence on value for money, prices doubled with money being thrown in every direction. By 1698, the national debt expanded from £1,250,000 to £16,000,000 and up went the taxes the debt was secured on.

Even today, the Bank of England expresses its determination to prevent the ups and downs of booms and depressions, yet there has been nothing but ups and downs since its formation with the British pound rarely being stable.ⁱⁱ

ⁱ <http://www.xat.org/xat/moneyhistory.html>

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