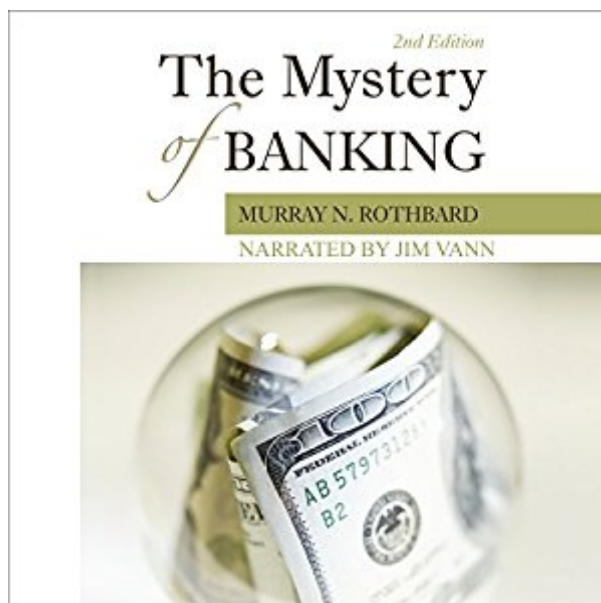


The book was found

# The Mystery Of Banking



## Synopsis

Talk about great timing. Rothbard's extraordinary book unravels the mystery of banking: What is legitimate enterprise and what is a government-backed shell game that can't last? His explanation is clear enough for anyone to follow and yet precise and rigorous enough to be the best textbook for college classes on the topic. This is because its expository clarity - in its history and theory - is essentially unrivaled. Most notably, he uses the T-account method of explaining the relationship between deposits and loans, showing the inherent instability of fractional reserve banking and how it sets the stage for centralization, inflation, and the boom-bust cycle. But there is more here. It is an explanation of money's origins and its meaning in the free market. The abstract theory is here but always with real application in history and in modern banking practice. Never does a paragraph go by without an example drawn from his massive knowledge of the subject. Even further, he explains the integration between microeconomics and the business cycle. As Douglas French writes in the introduction: "Although first published 25 years ago, Murray Rothbard's *The Mystery of Banking* continues to be the only book that clearly and concisely explains the modern fractional reserve banking system, its origins, and its devastating effects on the lives of every man, woman, and child. It is especially appropriate in a year that will see: a surge in bank failures, central banks around the globe bailing out failed commercial and investment banks, double-digit inflation rates in many parts of the world and hyperinflation completely destroying Zimbabwe's economy, that a new edition of Rothbard's classic work be published and made available through the efforts of Lew Rockwell and the staff at the Ludwig von Mises Institute. Priced affordably for students and laymen interested in the vagaries of banking and how inflation and business cycles are created."

## Book Information

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## Customer Reviews

One of these days I will write a review that is a little more worthy of this fabulous book. Until then, this will have to do.

Q - So should you buy this book? A - Yes.

Q - But really, I wasn't a finance major; who should buy this book? A - Anyone who hasn't read it, but is capable of doing so. You do not need to be versed in finance or macroeconomics. Murray will teach the necessary economics along the way, or point you to related sources for further understanding when necessary. (Side note - for those who are truly unfamiliar with "Austrian" theory or would like a wonderful primer on economics, I can think of no better place to start than Henry Hazlitt's timeless classic "Economics in One Lesson".) As far financial literacy goes, understanding this book would deal quite a blow to many who may think of themselves as so called financial experts. For how could one truly be a financial expert, but yet have no real understanding of money whatsoever.

Q - What will you learn? A - Why money in itself is so important. Why the current central banking system is so harmful to those of us not employed on Wall Street, at the Fed, or in the upper echelon of the Washington ÃƒÂ©lite. What fractional reserve banking is, how it works, and why it couldn't exist in a truly free market. You will also learn a great deal of the history of banking in the United States (as well as Great Britain), and will quickly see the utter fallacy in criticisms of Austrian Business Cycle theory (don't worry if you don't know what this is) on grounds that attempt to argue that monetary inflation couldn't have caused nineteenth century business cycles, as obviously the Fed didn't exist yet.

Q - Is this really just a long drawn case for the Gold Standard? A - Some reviewers thought so. I would say that interpretation fails to see a thing for what it is, and is a 10 foot view of 30,000 foot subject. To paraphrase Albert J. Nock, that understanding implies literacy without the true ability to read. Without making the whole case here, I would simply state that the real point centers on the evils of government control of money and interference in the financial system, and more directly the evils of fiat government money not backed by production. Assuming this simply was an argument for the gold standard on its face, this still wouldn't be a real knock against the book. Even simply explaining the gold standard, requires some thorough treatment, as the term "gold standard" used by Steve Forbes is very different from the system Ron Paul would be referencing by the same (or similar) terminology. Now, all that being said, gold and silver are the historical examples we have of how the government's ability to inflate can be severely limited or controlled. (Debasing metal doesn't offer the ability to create trillions from thin air). Does that mean money would have to be gold in a truly free market? Nope.

Murray Rothbard is plain spoken, easy to understand, and most importantly a

true polymath genius. He takes what should be an absolutely powder dry subject, and makes it not only understandable, but interesting. I always shiver a bit when I read book reviews with statements along the line of "this should be required reading for students, voters, citizens, etc.", yet it is difficult to overemphasize the true importance of the ramifications of this subject. A nefarious magic trick has been played on most of the world to convince us that bank notes are money, and do not have to be backed by anything other than the full faith in credit of the central government. Wealth requires production, you can't spend your way to riches, and microeconomics is economics. We have paid, and will continue to pay a burdensome price for our failure to understand the mystery of banking.

Although published 25 years ago, this inexpensive (\$3.82 when I bought it) book about banking is definitely as relevant today as it was when written. Rothbard starts with simple, clear definitions about what money is and progresses to show how prices are arrived at for everything you buy - and for money itself. He details all of the pitfalls of the unsound banking practices and laws that we suffer under currently. While the latter discussions get more detailed and complex as you progress through the book, if you stick with it you will get a clear picture of exactly where we are currently. (It is not a comforting picture, either.) In the latter part of the book, he provides a historical survey of the successes and failures of banking from the 1700s to about 25 years ago. If you skip the history, at least read the sections on the formation of the US Federal Reserve banks and the actions of Hoover and Roosevelt during the depression. You will note that that depression and our own unending recession since 2008 have been prolonged by exactly the same wrong thinking (even by some who claim to be depression scholars and experts.) Rothbard talks in detail about how hard currency and conservative banking can correct the current ills of present banking and the multi-decade destruction of the soundness of the dollar. He even provides a detailed roadmap about how a return to a sound currency and banking could be accomplished. This book is actually more relevant than almost all of the current books I have read about the perilous fiscal times ahead for the US dollar and our banking system. If you decide to buy and read the book carefully, be advised that you will end up worried and angry about the mess we in the US (and the rest of the world) are in. If you would rather stay comfortable and worry-free, you might want to skip it.

This was the third book in a series which I read to try and understand the gobbledgegoop that was my previous level of knowledge and the light bulb finally clicked. When "they" talked about T-Bills, the discount window, exports and exchange rates it wasn't really clear until I got to Murray Rothbard's book. I might have started here, because the other books were still too complicated

for me to understand. This book also both angered me and strengthened my resolve to find ways to circumvent the constantly diminishing value of our money. This will explain what happened when we went off the gold standard and how to get back on it. I recommend it highly.

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