– came under stress in World War I and World War II. Most warring states at first increased the volume of central bank notes, which were not backed by gold or silver reserves, and, as this did not suffice, either officially or factually suspended the convertibility or redeemability of their central bank notes in gold or silver. This may not even have made a tangible difference for the holders of the notes, as, whether they were holding notes representing central bank or state credit money or state fiat money, their value always depended on the victory of the respective issuing country. After both world wars, World War I and World War II, the main Western countries, in a way quite astonishingly, once more returned to commodity money, e.g., the UK through *Winston Churchill* in 1925 and, after World War II, as already mentioned, the US and the whole Western block, after the Bretton Woods conference of 1944.

Section 2. State fiat money creation aside private bank credit money creation

From occasional experiments with state fiat money to a new monetary regime

While the occasional suspensions of convertibility in regimes of commodity money during emergencies had always ended with the restoration of a commodity money regime, as a side-effect it had allowed states to experiment with state fiat money and to prepare the ultimate full transition to state fiat money. And this day came when state fiat money creation gland was ultimately established lastingly as the superior money creation gland. If a date is needed, many authors point to the announcement by Richard Nixon of 15 August 1971 to temporarily (!) suspend the conversion of US-Dollars into Gold (at the fixed rate of US$35 at the time) – likely with the immediate purpose of protecting the remaining US Gold reserves from being exchanged against fractional reserves bank credit money created in order to finance the Vietnam war. As we now know, that "temporary" suspension ignited a worldwide system-switch and represented the final departure from commodity money.

Technically, the swap to state fiat money regimes did not actually require much more than the declaration of "non-convertibility" of the already issued credit money (of banks, central banks, or states); indeed, the change could even lastingly officially remain "temporary". Moreover, existing notes and coins did not have to be taken out of circulation and the gold and silver, which was sitting in the vaults of the treasury, could stay there. Yes, theoretically, it *could* have been demonetized to realize its value-in-exchange as commodity in a one-time coup. (The transition to state fiat money had set free the value-in-exchange, which gold and silver coins carried "piggyback"). But there was no rush to use this newly accrued option, and, indeed, there were less reasons than ever before to touch the gold and silver – states had just acquired the possibility to create as much fiat money ex nihilo as they wished. Rather, states felt that if the commodity money in the vaults would "psychologically" stabilize the new fiat money, probably for good reasons.

Fiat money was generally accepted by the public without much-a-do. Almost all citizens have to pay taxes and that provided a first layer of value-in-use and value-in-exchange to the new explicit state fiat money. The second layer arose out of the fact that the state fiat money immediately became legal tender, so that you could also use it to settle your debts with other privates. Furthermore, many groups of the populations of the new fiat money states drew benefits from the additional spending that it enabled. The seventies were years of abundance in many countries.

State fiat money: a doctrinal revolution

Nevertheless, the new general state fiat money was a *doctrinal and social revolution* as it admits the possibility of money to function without the money thing containing any iota of value-in-exchange after demonetization. Many saw the revolution as yet another enlightened self-liberalization, in the Kantian sense of the "striping off of self-imposed immaturity", as an overdue consequence of having overcoming archaism, magic, and myth in the political economy. The money "code", systems theoretical sociology claimed (and others made similar statements), never really required value-in-exchange of the money-thing (outside of its being used as code). As it had appeared to be a great progress that states took away the power to create laws from tradition and Gods, it now appeared that they had also done well to take away the power to create money from physicists, miners, and carriers. Only a few anti-modernists, "Austrian" and other gold or silver "fetishists", who appeared hooked on a reified reactionary style of thinking, remained opposed. They emphasized that not only had state fiat money appropriated powers formerly held by physicists and miners etc., but also power, which were ultimately the market's powers. Nobody could halt the landslide, though. Fiat money was just too attractive for all political parties in mass democracies, even though they intended to use fiat money very different purposes, from social transfers to warfare.

State fiat money: a second artificial money creation gland aside bank credit money

The most important result of the introduction of fiat money, as stated previously, was its power to *push the possibilities of money creation to a much grander scale*. Fiat money was alchemy's dream come true, so grand in fact that fiat money may today have become a tool of stateship that is as important as physical violence and, most of the time, more important. States now finally achieved what they had always desired – a possibility to create money, value-in-exchange, wealth, in a convenient form at their discretion, at no significant cost and at practically any time. It meant independence from finding, mining, robbing, debasing, or faking gold and silver and it meant independence from private banks, too, with their restraints on fractional credit money creation, the risks this carried – and with the occasional obstinacy of private banks. States could now issue money with near a hundred percent of seignorage or without any grain of precious metal at their discretion. It is, once more, elucidating to compare the states' new "monetary sovereignty"[11] with the meager ammunition that was available to the states of antiquity when they wanted to deal with their ancient master drama.[12] Weapons and armies win on the spot against wealth, but access to fiat money can also buy consent and legitimacy, hearts and minds, at home and abroad. It can achieve objectives without violence, and if civils wars and wars become necessary in spite of this, it can still help to win them by buying soldiers and weaponry. Indeed, the great mass wars of modernity, from the Napoleonic wars to World War II, could not *nearly* have been as horrible in the numbers, firepower, and precision of the arms used, the masses of soldiers and in the duration of the wars had they solely been financed with fractional reserve credit money creation or even in a commodity money regime with redistributive credit.[13] Modern wars exploded not only because of progress in technology, growth in populations, and on the basis of modern mass ideologies, but also because of monetary and financial explosions and because fiat money boosted money creation.

11 This term also used by *Polanyi* (1944) page 261. It is quite interesting that as part of reflections on monetary policy in a low-rate- world, *Martin Wolf* particularly closely relates state control over money not to states as such but to *democracy*. "The lesson of history seems absolutely clear: a democracy will not accept that money is outside of purposeful control." Democracy, it appears, is more "totalitarian" towards money (and the economy as a whole) than absolute princes or kings ever dared to be (*Wolf*, Monetary policy in a low rate world, in *Financial Times* of 14 September 2019).

12 If states wanted to take measures to mitigate the master drama in antiquity, they mostly could only distribute land to small peasants. However, they had to take land away from somebody for this purpose, either from domestic latifundia owners or foreign countries or tribes. This typically led to opposition, civil unrest, and civil or external war, and also involved, in the latter case, displacing, enslaving, or eradicating the population who possessed the "desired land". Even if states in antiquity only sought temporary relief, e.g., through public spending enabling employment or direct transfer payments to the unemployed, they still needed to appropriate the gold or silver used for this purpose from somebody who would likely resist. "Fiat gold" or "fiat silver" existed as little as "fiat land".

13 See the observations of *Ferguson* (2008) page 70, on the Italian Renaissance city states (in their wars against each other – giving birth to the *condottieri*) and of Spain against the Netherlands. The worst was yet to come. In this sense, see also *von Mises* (2013) page 222.