

*The Nature of Money, Conflict, and the
Rise and Fall of Empires*



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Three Things

I want to make three main points (talk about three main topics) and try to link them together:

(1) The Relationship Between Money and War/Conflict

- surely *not* that ‘money is the root of all evil’ or that ‘capitalism/profit is inherently immoral’ – or anything like that. But then, what *is* the connection exactly?

(2) Sir John Glubb’s (Glubb Pasha’s) Well-Known Thesis That Empires or Political Regimes Last for Around 250 Years on Average

- this seems like a problem for the contemporary USA? The USA was founded in 1776, and it is now 2026.

(3) A Case Study of the British Empire

- the Glubb thesis seems to work? There were 250 years between the founding of the Bank of England in 1694 and the ceding of hegemony to the USA at the Bretton Woods conference in 1944. The case of Britain also seems to validate the money/financial connection. By the way, the postwar global financial institutions (IMF/World Bank, *etc.*) were originally set up at Bretton Woods, but now that whole structure seems itself to be in grave jeopardy.

The Bank of England



The Mount Washington Hotel, Bretton Woods, New Hampshire



The Nature of Money

- the concept of ‘money’ is widely misunderstood in mainstream economics, financial theory, and financial history.
- it is not a neutral ‘medium of exchange’ that evolved from barter. It is not a gold coin, a silver coin, a copper coin, a piece of paper, or even a piece of plastic. Those artifacts are just alternative ways of recording indebtedness.
- money is a ‘social relation’ (Ingham 1996). Specifically, a relation of indebtedness.

The Nature of Money (continued)

Two quotes sum the whole thing up:

- **INGHAM 2004:**

‘All money is debt in so far as issuers promise to accept their own money for *any* debt payment by *any* bearer of the money.’ (original emphasis).

- **HICKS 1989:**

‘Money is (what is) paid for a discharge of debt when that debt has been expressed in terms of money’.

- in the case of the ‘State’ it has the power to tax. All it has to do is accept its own money back in payment of taxes. The MMT mantra is ‘taxes drive money’ .

Stylized Bank Balance Sheet

Assets

Loans	120,000	Redeemable Deposits	100,000	← MONEY
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Other Investments	50,000	Non-redeemable Deposits	40,000
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Bank Capital	30,000
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170,000	170,000
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Two Sources of Conflict?

(1) Not enough money (not enough credit creation)

- the gold standard, high interest rates, balanced budgets, the single currency, and on, and on, and on almost everything that conventional economics recommends!

(2) The international balance of payments

- particularly relevant to the notion of empire building

The International Balance of Payments

BOP = Change in FE Reserves
= Capital Account + Current Account

- if change in FE reserves is zero:

Capital Account = (-) Current Account

Is There a Way Out?

A system of ‘sovereign non-reserve currencies’ with floating exchange rates?

- hat-tip to Mattias di Lucchi of the central bank of Argentina, for this terminology

Is this the system that the BRICS are currently setting up?

- *cf.* the Kazan meeting of 2024 – analogies to Bretton Woods in 1944?

The Fate of Empires and the Search for Survival

- this is the title of a book by Sir John Glubb (Glubb Pasha) written in 1976.
- Glubb knew what he was talking about, specifically the collapse of the British Empire.
- Glubb was a former British Army officer who, in the post-WW2 period, worked for King Abdhullah of Jordan
- he was the commander of the ‘Arab Legion’ in the war with Israel in 1948.
- the thesis was that empires or political regimes last, on average, around 250 years there are many historical examples

Sir John Glubb



The Life-Span of Empires

- there is a temptation to interpret this in psychological, sociological, or even biological terms
- *e.g.*, 250 years encompasses the life-spans of 3 octogenarians
- the idea is, therefore, that the first generation is strong and progressive, the second complacent, and the third is weak
- maybe there is something in this, but it does not really work on closer inspection - there are overlapping generations, there is no allowance for learning or the intellect, and, above all, the 250-year time-span is only an average – some regimes are much shorter, some are longer, and so on.
- should we be looking for some other factor?

City of Man, City of God, or the City of London?

- ‘City of God’ was the title of a book written by St. Augustine, Bishop of Hippo, and published in 426.
- the ‘City of Man’ was Rome, but Rome was collapsing, the Legions were withdrawn from Britain (the furthest reach of the empire) in 407, and Rome itself was sacked in 410
- the fall of Rome was a big disappointment to Augustine - even though (arguably, I stress ‘arguably’) the kind of doctrines he himself was promoting may have contributed to this. His idea was that we should put our faith in more spiritual things – the ‘City of God’.
- the City of London was/is the financial centre of Great Britain.

The Timeline of the British Empire

1694: – the founding of the Bank of England

1707: - the Act of Union creation of the state of Great Britain

1701–1714: – the War of the Spanish Succession

1756–1763: – the Seven Years War (French and Indian Wars), Canada conquered by Great Britain

1775–1783: - the American War of Independence (American Revolution)

1792-1815: - the Revolutionary (French) and Napoleonic Wars

The Timeline of the British Empire

(continued)

1797-1821: - the Bank Restriction period

1844: - Peel's Bank Act

1866: - the last occasion on which the Bank Act was suspended

1873: - 'the Crime of '73' start of the International Gold Standard

1886: - gold discovered in South Africa

1896: - gold discovered in the Klondike

1899-1902: the Boer War

The Timeline of the British Empire (continued)

1914-1918: - World War 1

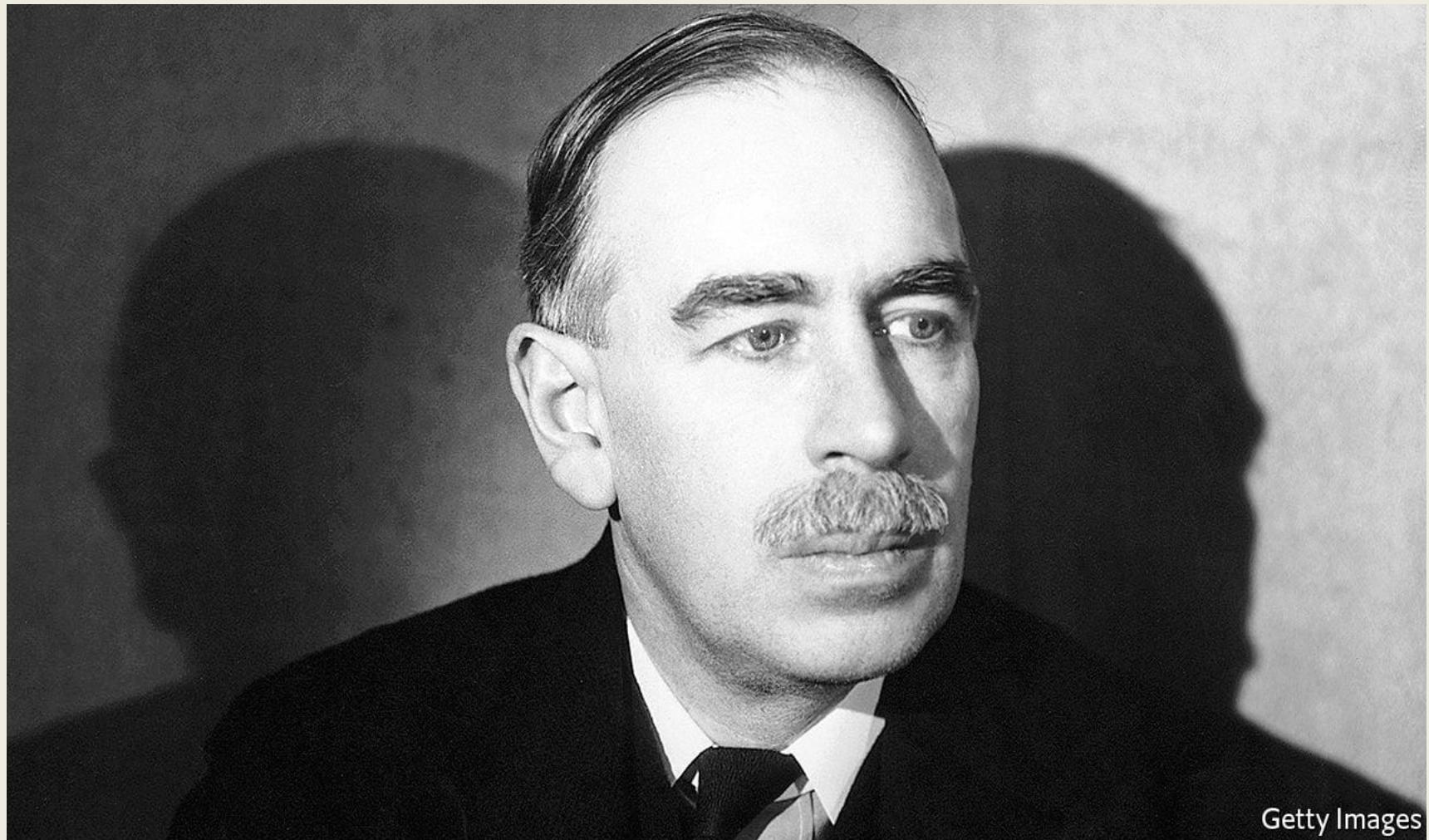
1925-1931: - the restored Gold Standard (*cf. The Economic Consequences of Mr. Churchill* by J.M. Keynes)

1931: - the International Financial Crisis

1939-1945: - World War 2

1944: - the Bretton Woods conference – hegemony ceded to the United States

John Maynard Keynes



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Lament for a Nation?

- how did Canada hold up after the collapse of the British Empire?
- it was the largest of the British Dominions and is still the second largest country in the world abundant resources.
- but the above was the title of a famous book by the Canadian philosopher George Grant, published in 1965.
- all over by 1965? What do people think?

George Grant



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