The secret history of banknotes

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Yesterday I tried to explain how credit money arose and how it came to the development of capitalism. Around the 14th century, a long and secret development began, from bills of exchange to banknotes, and finally to paper currency and book money.
The new banking system was created by chance in England. In 1640 the English King Charles I once again needed money for a war. He wanted to mint money, but the English parliament did not allow him. That time only in England did Parliament have such a power. Parliament demanded that the king take a loan. The King did not want that. Therefore, he confiscated the money of the merchants that they had stored in the tower. The merchants forced the king to return their money. After all, he had to take a loan with them.
After the return, the merchants decided not to leave their money in the tower. They brought it to private goldsmiths. These goldsmiths gave receipts, gold deposits, so-called goldsmithnotes. The merchants began to use these goldsmithnotes in local commerce more and more as money. This goldsmithnotes became the ancestors of our banknotes.
The goldsmithnotes were 100% covered by gold. But only in the beginning. The more merchants used the goldsmithnotes as money, the more gold was in the vaults of the goldsmiths. The merchants did not pick up the gold, because instead they used goldsmithnotes for payment. This gave the goldsmiths the idea of lending some of the gold to interest to the king. So they earned twice. They received a deposit fee from the merchants, for protecting the money and interest from the king for the loan of the money.
In 1667, a foreign war ship suddenly appeared on the Thames. That panicked the merchants. They presented their goldsmithnotes and wanted their gold back. The goldsmiths paid out all the gold they had. But somehow their chests were empty and they had to confess that they had given the gold. In order not to go to jail, they offered to the merchants the treasury bills (today named bond). Treasure or treasury bill is a euphemistic name for a promissory note (a debt). Even today, we like to circumscribe debts to conceal their essence.
The merchants took the treasury bills instead of their goldsmithnotes. So today they had no cash, but the hope to get their money back with interest. This bankrun took place before the first bank was established. At this bankrun the idea for the foundation of the Bank of England was born. The bank's birthday was almost 30 years later in 1694. Believe it or not, the Bank of England received the privilege of issuing banknotes covered by treasury bills. In fact - this is no joke - the bank's banknote issue was linked to the amount of the public debt.
The Bank of England was founded because King William III. of Orange needed money, of course for a war. The bank's founders promised the King a credit of 1.2 million pound sterling for a bank license. What became visible through bankrun in 1667 was now transformed into an institution.
As a reminder: in 1667 so named goldsmithnotes were used as money. Through the bank run, it was obvious that these goldsmithnotes were not full covered by gold, but by treasury bills (bonds).

Now Bank of England got a license to issue money in value of public debt.

The gold standard system was from the beginning an illusion, not to say fraud.
In fact, the Bank of England collected money. This was registered as common capital. In fact, it was awarded to the king. In turn, the bank got treasures and put them in the vault. The bank was then allowed to issue banknotes in the value of the existing treasury bills.
Of course, the bank publicly declared that its notes are covered by gold, which is kept in the vault. In fact, the gold was lent and turned into treasure bills. Only a part of these treasury bills were later converted into gold on the money market.
The bank had learned from the goldsmiths that only a small portion of the issued notes would be presented to convert them into gold. The majority of the notes were used as money and circulated. This is how the gold standard system came about. At first it was thought to cover about 1/3 of the issued banknotes by gold. Later the gold cover sank more and more until it finally disappeared.

How could this work?
Merchants need money for trade. Banknotes fulfilled this task. Because the merchants needed more and more money in the course of the development in order to deal with the growing quantities of goods, the amount of money was also expanded. In this sense, banknotes were a good invention. Banknotes made it possible to adjust the money supply to the needs of the trade. The amount of money was no longer dependent on how much gold was happening. Merchants therefore accepted banknotes soon as cash. So banknotes came in use.

However, every war gave rise to lifting the gold solution. With each war, the system became weaker. Long before Nixon abolished the gold solution in 1971, the gold standard was only an illusion.
To hide the gold cover has become smaller and smaller, central banks were established. Of course, the Bank of England was the first central bank. To become a central bank, these banknotes are becoming state cash. This means that central bank notes no longer have to be redeemed in gold. Instead, other private banks can redeem their banknotes instead of gold in central bank notes. In England dues had actually been in force since 1834. Since than english banknotes of private banks were covered by banknotes from central bank. Whoever wanted to redeem a private banknote was paid instead of gold banknotes from the central bank. Paper money was paid by paper money. There was practically only gold cover in international trade.
Today, there are no more private banknotes. All banknote are from central bank. But banks still make their own money, so named virtual money (also called book money). This money is now only about 1% covered by central bank notes. This is all that remains of the gold standard.

In most countries, central banks were created during a crisis. So there is little data about these foundations because there is no reason to celebrate. As far as I know, at the beginning of the First World War, the European states finally ended the redemption in gold for international trade.
After the Second World War, the US dollar became the only gold-covered currency. However, only states or international companies could redeem their US dollars in gold. The end of the gold leveling system is known. In 1971, Richard Nixon declared the system abolished. But the idea of money being covered by gold or other permanent values such as land or real estate, continues to live.
In fact, I think a gold cover of money has not only never really existed, it was also never important. In my view, the value of money depends on the coverage of goods. We all need money to buy goods. We may recall reports from the post-war period. People had earned money with arms production. These incomes did not find any goods on the market, which is why the money lost value.
Of course, there are people who have far more money than they need for their consume needs. Them and only them, goldstandard has used. Precisely this accumulation of money without reference to genuine commodity requirements is a macroeconomic problem because this leads to a lack of money among others.
So I'm sure, the value of good money must be covered by merchandise, no more, no less.