Rogue Traders Were Around 400 Years Ago

When it comes to money, lying, cheating and stealing have been at the forefront of financial scandals for hundreds of years.

The current scandal revolves around Sam Bankman-Fried, who once ran one of the world's biggest cryptocurrency exchanges, and who, last week was found guilty of fraud and money laundering at the end of a month-long trial in New York.

It concludes a stunning fall from grace for the 31-year-old former billionaire, once known as the "King of Crypto", who now faces decades in jail.

His cryptocurrency exchange, FTX was once valued at $32bn (£26bn), but when it went bankrupt in November last year $8bn in customer funds was missing.

"Sam Bankman-Fried perpetrated one of the biggest financial frauds in American history - A multibillion-dollar scheme designed to make him the king of crypto," US attorney Damian Williams said in a statement after the verdict.

But if we go back almost exactly 400 years, we can see that bizarre episodes such as the FTX scandal were alive and well then too with the German financial meltdown of 1621-1623, otherwise known as *“Kipper und Wipper”.*

In the early 17th century, Germany’s numerous lords, princes, and sundry other rulers had a problem. This area of the world was on the verge of a war. A big one.

Wars cost money, and at that time money was still made from actual precious metal. Wars were paid for in gold and silver, and that’s what these soon-to-be warlords needed.

That hunger for precious metals set off one of the most dramatic financial crises in European history, in which neighboring states were actively defrauding each other with bad currency.

In the early 1620s, when the crisis peaked, Germany as we know it today didn’t exist yet. There was only a collection of German states united under the failing Holy Roman Empire.

Many of Germany’s states minted their own coins, and they could vary from state to state, especially in small denominations.

What made these coins valuable, no matter what border they crossed, was the silver contained within.

But, to raise money for this war, the powers that be minted coins with less precious metals than the value stamped on their face - Thereby debasing the currency.

A simple way to debase currency was to trim off the edges and use that metal to make new coins. (In 17th century slang *“Kipper”* meant the clipping of coins, whereby the edge of the coin containing precious metals was shaved off because the sides of the coins were not milled)

A more complicated way was to create a whole new batch of coins that contained a higher proportion of copper - Although not so much that it would be obvious.

Either way, the coins were worth less than they were supposed to be.

As the Thirty Years War began in 1618, traders in German states started aggressively swapping bad coin for good. An excellent way to do this was to take debased money from one place, cross a border to a place where the currency had not yet been debased, and trade doctored money for genuine, full-value coins.

Then, you could take the honest money, with its higher silver content, back to the mint, extract a portion of the silver as profit, and take your newly minted bad money back out into the world to trade it for good money again.

These sort of trades had a domino effect. The state that had the bad end of this deal then had an incentive to go ahead and debase its own coins, and trade its now-adulterated currency for the legitimate currency of a new place.

Soon the southern German states were awash in “Kippergeld” - coins that weren’t worth much of anything. Some coins had been stripped of their silver entirely and were just copper coins, made to look kind of silvery.

These practices only affected small coins: larger denominations of silver and gold were left alone. Accordingly, the poorer people did very badly in this era, whilst the rich did very well.

This occurred due to the rich realiasing that it was a profitable practice. Therefore, mints started popping up everywhere.

For example, the number of mints in Brunswick, a city in Lower Saxony, more than doubled in just three years and resulted in some surreal scenes as bishops took over nunneries and turned them into makeshift mints.

In addition, numerous princes indulged in the unleashing of hordes of crooked money-changers, who crossed into neighbouring territories equipped with a mobile bureau de change, bags full of dodgy money with the aim of seeking out any gullible peasants who could be conned into changing their good money for the changers’ bad money. (This is where the word *“Wipper”* comes in, because it means to wag or seesaw. While the money exchangers weighed the peasant’s money, they would continuously keep the scale in motion so that they could switch the good money with bad, debased coins.)

By the time it stuttered to a halt, partway through the 1620s, “Kipper und Wipper” had undermined economies as far apart as Britain and Muscovy

Eventually, with the monetary system in such a mess that German states entered into a mint treaty that reset the value of currency and reinstated some controls on the mints that made them. Bad coins were taken out of circulation and good ones made to replace them.

But not before whole fortunes were made by aggressively cheating and conning one's neighbours.

So, although we're comparing cryptocurrency with some of the first coins ever made, the seven counts of fraud, conspiracy and money launderings that Sam Bankman-Fried was convicted of in 2023 appears to have certain similarities to what was going on 400 years ago with *"Kipper und Wipper"*.