Key Takeaways from

“The Ascent of Money” by Niall Ferguson

“The Ascent of Money” by Niall Ferguson gave the history of finance and money from the ancient years to 2008/2009. The book started off by giving and introduction to the book. It defined money as a store of value, a unit of account, and it being portable. Money can break us or make us. Then the book began its story in the ancient times of the Spaniards and Incas. Labor was the unit of value and the Incas had no concept of money. But the Spaniards had a sense of money and a greed for gold and silver. Spain conquered many South American nations and raided mines full of precious metals. They brought back all of the gold and silver back to Spain, but an increased quantity of money like silver increased the price of goods and destroyed Spain’s economy. Because silver was so prevalent, people did not value it as much and it lost its value.

I learned that bank notes are promises to pay and that interest is the amount paid to the lender over the principal. Jewish money lenders in Venice, Italy were one of the first people to charge interest for borrowing money. The Jews were allowed to charge interest on their loans, but the Christians were not allowed. But the Jews were not allowed to sell loans to other Jews, only to other strangers like Christians because it was against their beliefs in the Old Testament. Usury is still going on in many places in the world and in Scotland, interest rates were as high as 25% per week. Money lending evolved into banking. The key to banking is diversification and scale and that made banking less risky and more successful. Bankruptcy in the US has become an unalienated right like the rights of life, liberty, and the pursuit of happiness. Chapter 13 bankruptcy was very popular and this type of bankruptcy does not wipe debts, it just reschedules them.

Governments will always spend more than they raise in taxation and they will make it up by selling bonds with interest. War is impossible if you do not have the money to pay for it. Selling debt became a popular financial instrument to buy, sell, and trade. Bonds saved countries from Bankruptcy and citizens liked

bonds for their interest. But the more bonds issued, the less valuable the bonds look to investors.

Argentina had a huge problem with debt and bonds. Inflation is a huge fear and it undervalues a bond's price. Argentina's failure was due to financial mismanagement and a huge increase in inflation. Argentina's resort was to get their Central Bank to print more money, but they ran out of money to print. They didn't have enough paper. A cup of coffee's price was up 30% in a week.

Stock markets can be like soap bubbles, we never know when its going to burst. Amsterdam was the world capital of finance innovation. The dutch created the first company. Dutch trade ships came together to create a company to share resources and spread out the risk. Citizens were invited to invest in these companies. Shareholders could not get their shares refunded, but they would have to sell their shares to another person. Millionaires and entrepreneurs were invented in France. One of the first millionaires, John Law, learned that trees don't grow to the sky. At the start of 1929, the stock market dropped 70%+ noting the Great Depression. Fear overwhelms all irrational thinking. A stock market bubble can happen if only money was abundant. Enron's collapse is similar to the Mississippi's crash. Enron tried to cook the books and then tried to sell millions of shares. Then they filed for bankruptcy.

We want calculable risk, but we are stuck with random uncertainty. Insurance needs to be more comprehensible to work more efficiently. Parts of New Orleans are impossible to insure your home in after the major hurricane. The first insurance company was created in Scotland. In Japan, the nation covers insurance and the nation believes in giving all of their people pension. They were the welfare superpower until it got really expensive and they couldn't afford it. Stagflation is low growth and high inflation. If money supply went up, the price would also go up.

Private pension plans worked in Chile after their economic fall out. Japan's life expectancy is the longest in the world, and the longer you live, the more

money you need to have to support yourself. The book then went into talking about futures. The first future's market was born in Chicago and hedging commodities was standard.

Real estate is a huge investment tool. Real estate is no different than any other financial asset. People saw their property as a cash cow and over borrowed its worth. Detroit was hit the hardest during the Great Depression. The Roosevelt Administration rigged the housing market by offering longer and lower loans that were government insured. This was when Fannie Mae was created. Segregation was a direct consequence to federal policy. African Americans were considered uncreditworthy. In Detroit, whites and African Americans were separated by a wall and whites were considered creditworthy while blacks had a hard time finding loans/mortgages and when they did, the interest rates would be extremely high. In South America, it was proven that women are better creditors than men. Women would pay off the loans faster than men did. Fannie Mae and Freddie Mac were nationalized to avoid a bigger mortgage collapse. Japan also had a bad property crash, and dropped more than 60% of its value in 1990. All asset markets are prone to booms and busts. Real security comes from having income.

I really enjoyed reading this book. I learned a lot that I didn't know before. My favorite part of this book was probably learning about the history of money. Money started off as labor and then it turned into more of a materialistic value. Money was first backed by commodities and then it turned into paper and became fiat money. I also enjoyed learning about how to stock market was created and how the bond market was created and how the first company was formed.

With art and estates being such valuable items in Europe, I enjoyed learning about how people were able to afford it. Many people started as money lenders, then expanded their business and turned into banks. A lot of people borrowed tons of money and spent even more than they made. This caused

them to become bankrupt and lose everything. I expanded my knowledge on debt and on good spending habits.

There were many financial terms coined and explained and I was able to expand my knowledge on that. I am a trader in the stock market so it was interesting to learn that Amsterdam was the first place to have a stock market and the dutch were the first people to create a public company. I liked learning about derivatives, futures, and bonds. Real estate is also another interesting asset I liked learning about. It is the American dream to own a house, but a lot of people couldn't afford it. So with a change in policy, Americans were able to get low interest mortgages.

I loved the stories told in the book; especially the ones about John Lock and his fortune. John Lock moved to Europe, specifically Paris to start his business. He worked in banking and in printing/lending money. Most of his profit came from manipulating his stock price and by giving false sense of Saint Louis, until investors heard rumor of Saint Louis being a dump.