

Abstract

Throughout history, at multiple times, countries have implemented central banking systems by monopolizing currencies. The following study looks at key indicators such as bond yields, central bank legislation and free banking era legislation to identify whether changes were due to economic necessity or political opportunism on the part of politicians. The study will analyze 5 countries, most notably Australia, Sweden, Switzerland, United States and Scotland, all of which have had a free banking period and can shed some light on the topic of transition from a free banking system to a centralized monopoly. The comparison draws light on the diverse problems and challenges that arose, most notably finding that in the majority of cases, government intervention caused the banking system to become unstable and help governments to engage in large debt financing under the central banking era.

Keywords: Free Banking; Rent-Seeking; Comparative Banking Systems; Central Banks; Political Economy of Monetary Institutions

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