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Unsound Banking: Understanding the Root Cause of Banking Collapse

Banking is expected to be dull, yet it appears that central banks worldwide are struggling to stay afloat, wishing for a more stable banking environment. This article aims to explain why the world's banking system is precarious and how a sound bank differs from an unsound bank. However, only one out of a thousand people is likely to comprehend the distinction, and as a result, the world's economy relies on unsound banks and currencies that have degenerated significantly from their origins.

Modern banking originated from goldsmithing in the Middle Ages, where the trade required a precious metal inventory and expertise in purchasing and selling metal and securely storing it. These skills smoothly transitioned into lending and borrowing gold, which means lending and borrowing money. Until the 1930s, the general public used gold coins for everyday commerce, and most national currencies were backed by gold at a fixed rate of convertibility. Banks were just another business that stored, lent, and borrowed gold coins as their primary business.

Bank deposits were classified into two groups, time deposits, and demand deposits, where the difference is now unclear but is a crucial element of sound banking practice. A time deposit involves a contract where a customer agrees to leave their money with the banker for a specified period, earning interest as compensation for their risk and inconvenience, and allowing the banker to use their money. To prevent loss, bankers prefer to lend on productive assets, only lend a fraction of the pledged asset value, for a limited time, and only to people of good character. The business of accepting time deposits makes the banker a dealer in credit, an intermediary between lenders and borrowers.

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On the other hand, demand deposits are payable to customers on demand and the basis of checking accounts. The banker does not pay interest because they do not have the use of it, yet they charge a fee for keeping the money safe, available for immediate withdrawal, and administering the transfer of the money. An honest banker would not lend out demand deposit money as banknotes represented the warehouse receipts for gold. Currency, gold bullion, gold coinage, and banknotes made up the society's transaction media, and their amount was limited to the amount of gold available to people.

Sound banking principles are identical to sound principles of warehousing any merchandise. Still, banking worldwide has been fundamentally unsound since government-sponsored central banks have dominated the financial system. Central banks purchase government debt, allowing the state to finance activities without taxation, which appears to be a "free lunch." However, this is a significant cause of currency debasement, leading to the banking system's precarious situation. Central banks may seem to be a permanent fixture, but they are a recent invention, with the US Federal Reserve being established in 1913. Unsound banking has resulted from fraud, as bankers see idle gold in their vaults and wonder why they would take gold out of the ground only to put it back into a vault. People write checks, which the bank can issue, lending the funds to generate interest income and earn a profit, causing the collapse of banking.

In addition to the points raised in the article, the DoubleJack iGaming Asset Backed Token offers several advantages in the world of banking and finance. Firstly, it provides transparency and accountability in transactions, as each token represents a specific asset in the iGaming industry. This ensures that the token holder knows exactly what they are investing in, and can track the performance of their investment in real-time.

Secondly, the use of blockchain technology in the creation and management of the token ensures security and immutability of transactions. This means that the token cannot be counterfeited or tampered with, and all transactions are recorded permanently on the blockchain ledger.

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Thirdly, the token allows for fractional ownership of assets, which enables investors to diversify their portfolio without the need for large amounts of capital. This is especially beneficial for the iGaming industry, where high capital requirements often limit the number of investors who can participate.

Finally, the token is easily tradable on cryptocurrency exchanges, which provides liquidity to investors and allows them to easily buy and sell their holdings. This makes it a convenient and efficient investment option for those looking to invest in the iGaming industry. Overall, the DoubleJack iGaming Asset Backed Token offers a unique and innovative approach to investment in the iGaming industry, with several advantages over traditional investment options.

About Doublejack

doublejack.online is the original and fastest growing operational iGaming philanthropic platform and community in the world, offering iGaming entertainment in over 190 countries. doublejack offers a unique affiliate partnership program - doublejack.club, splitting profits between its partners and charities. Initially launched in 2021, doublejack.online offers access to the world's largest lotteries, over 200 casino games, and coming soon, sports betting. doublejack, after achieving "Unicorn" status, coupled with a stellar growth trajectory has now entered Phase Two of its Corporate Development model.

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