This is a study on money. This is not about how *to get* money, nor is this about what *to do* with money. This is about <u>what money actually *is*</u>.

What Is Money?

"It is well that the people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning."

— Henry Ford

Second Edition

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Preface

"Money ranks as one of the primary materials with which mankind builds the architecture of civilization." ***– Lewis Lapham***

"We invented money and we use it, yet we cannot understand its laws or control its actions. It has a life of its own". ***– Lionel Trilling***

This is a study on money. This is not about how to get money, nor is this about what to do with money. This is about what money actually is. Today most Americans are largely ignorant about our money system – about the way money is created and managed in our societies. The field of economics rarely deals with monetary policy. Once a popular topic of political discourse among politicians and citizens alike, the subject of money in our culture today is one of unquestioned acceptance. We allocate a great portion of our physical, mental, and emotional energy to getting, keeping, and spending money – but how many of us really know what money is or where it comes from? Much like fish do not understand the nature of the water in which they live, most people have trouble understanding the nature of money.

To increase our understanding, the first step is to consider the unusual question: "What is Money?" This study aims to simplify, for the layperson, the nature of how money works today, with hopes of raising consciousness about monetary policy. Conscious awareness is a curative and powerful force. Hopefully, this will inspire more questions and further inquiry.

Money is meant to be a means of facilitating the material necessities of life on earth, and once served the role of uniting people. Today, money has become a life-destroying and divisive force. As one of the main instruments with which the people of the world relate to each other, money represents an agreement, a shared belief, and a common trust within a society about what is valuable. Therefore, the society we co-create will naturally be a reflection of the *kind of money* we use. In addition to generating unconscious fears, the *kind of money* we use today promotes and encourages greed, competition, inequality, and indiscriminate consumption. These are the values our children now learn and practice in order to become "productive" members of society. Frankly, we can do much better.

"Money is like an iron ring we put through our nose. It is now leading us wherever it wants. We just forgot that we are the ones who designed it." ***– Mark Kinney***

"It is well that the people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning." ***– Henry Ford***

What is Money?

Too few Americans realize why our nation's founders wrote into Article I, Section 8 of the U.S. Constitution:

Congress shall have the Power to Coin Money and Regulate the Value Thereof.

Since 1913, with the creation of the Fractional (Federal) Reserve Banking system, the United States Congress no longer possesses this power. On December 23, 1913, with most of the nation preoccupied with the holidays, President Woodrow Wilson signed into law the Federal Reserve Banking Act, delegating this power to a collection of privately owned banks that are governed and regulated by what is known simply as the Federal Reserve ("the Fed"). This divided the United States into 12 Federal Reserve "Districts," to be run by a Board of Directors. At the time, this legislation was promoted as a way to "keep money out of politics." However, keeping money out of politics also means keeping money and monetary policy out of the control of the people.

Additionally, the people were not told then, and most still do not know today, that the regional Federal Reserve Banks are *private* corporations. The word "Federal" is deceptive. The Federal Reserve Banks are no more "Federal" than "Federal Express," which is why you will find their contact information in the business section of the phone book, rather than the government listings.

"The regional Federal Reserve banks are not government agencies... but are independent, privately owned and locally controlled corporations."
– Lewis vs. United States, 680 F. 2d 1239 9th Circuit 1982

Today, the creation, issuance, and regulation of money in America is a private, for-profit, corporate enterprise. This comes as a surprise to many people. **W**e will explore the real-life ramifications of this legislation and privatization.

"If the American people ever allow private banks to control the issue of their money, first by inflation and then by deflation, the banks and corporations that will grow up around them will deprive the people of their property until their children will wake up homeless on the continent their fathers conquered . . . banking institutions are more dangerous to our liberties than standing armies." ***– Thomas Jefferson***

An Adequate Money Supply

Money, the means of all commercial trade except simple barter, is the measure and the instrument by which one product is sold and another purchased. Remove money or even reduce the supply below that which is necessary to carry on current levels of trade, and the results can be catastrophic. For an example, we need only look at America's Great Depression of the 1930s, which was also worldwide.

In 1930, America did not lack industrial capacity, fertile farmland, or skilled and willing workers. It had extensive and efficient transportation and communication systems, and no war had ravaged the country. The United States of America in 1930 lacked only one thing: an adequate supply of money to carry on trade and commerce.

In the early 1930s, the banking industry, the only source of new money and credit, *deliberately* refused loans to industries, businesses, farms, and people. However, payments on existing loans were still required, and money rapidly disappeared from circulation. Goods were available to be purchased and jobs were waiting to be done, but the lack of money brought the nation to a standstill. America (along with the world) was purposefully put into a "depression," and banks took possession of hundreds of thousands of farms, homes, and business properties. A majority of people, not understanding the system of money creation and contraction, were essentially robbed of their earnings, their savings, and their property.

"This [Federal Reserve Act] establishes the most gigantic trust on earth. When the President [Wilson] signs this bill, the invisible government of the monetary power will be legalized... the worst legislative crime of the ages is perpetrated by this banking and currency bill… From now on, depressions will be scientifically created."
– Congressman Charles A. Lindbergh Sr., 1913

"Whosoever controls the volume of money in any country is absolute master of all industry and commerce .... And when you realize that the entire system is very easily controlled, one way or another, by a few powerful men at the top, you will not have to be told how periods of inflation and depression originate." ***– James Garfield (assassinated within weeks of the release of this statement during the first year of his Presidency in 1881)***

War as Economic Stimulus

World War II ended the "depression." The same banking industry that in the early 1930s had no loans for peacetime industry now had unlimited billions to lend for a massive war movement.

This was made possible through the creation of new money – loaned to the government and war industry by the private banking system of America. People were hired, factories went to two shifts, and "The Great Depression" was over. Some politicians were blamed for it and others took credit for ending it. However, it was a lack of money that brought on the depression, and an adequate money supply that ended it. Since the Great Depression – the last time America was not at war – this trend has continued, and we now live within a permanent war economy. This year (2006) our defense budget will surpass $439.3 billion, while next year's military budget is set at $466 billion. Both figures surpass the military budgets of the rest of the world combined. Since 1940, the United States has spent over $20 trillion on the military. Six trillion dollars of this has been spent on nuclear weapons alone. At least 7.5 million Americans are currently employed by the military-industrial complex.

“Every gun that is made, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and not clothed. This world in arms is not spending money alone. It is spending the sweat of its laborers, the genius of its scientists, and the hopes of its children.” ***– President Dwight D. Eisenhower***

The Power to Coin and Regulate Money

When we can see the disastrous results of an artificially created shortage of money, we can better understand why our founders insisted on placing the power to "create" money and the power to control it ONLY in the hands of Congress. Our founders believed that ALL citizens would benefit from an adequate and stable currency and therefore, by law, the federal government must be the ONLY controller of the *value* of money as well. Since the Federal Congress is the only legislative body subject to the citizens at the ballot box, it was, to their minds, the only safe depository of so much profit and so much power. They wrote it out in the simple, but all-inclusive: "Congress shall have the Power to Coin Money and Regulate the Value Thereof."

The following section is an example of the process of money “creation” and its conversion to people's “debt.”

They Print It -- We Borrow It and Pay Them Interest

"When you or I write a check there must be sufficient funds in an account to cover the check, but when the Federal Reserve writes a check there is no bank deposit on which that check is drawn. When the Federal Reserve writes a check, it is creating money."
–- Published by the Federal Reserve Bank of Boston, titled “Putting It Simply”

"The Federal Reserve bank buys government bonds without one penny…"
– Congressman Wright Patman, Congressional Record, Sept 30, 1941

The federal government, spending more than it has taken from its citizens in taxes, needs, for the sake of illustration, $1 billion. Since it does not have the money, and Congress has given away its authority to "create" it, the government must go to the Federal Reserve for the $1 billion. The Federal Reserve complies and is willing to deliver $1 billion in newly created money or credit to the federal government in exchange for the government's agreement to pay it back – with interest. So Congress authorizes the Treasury Department to print $1 billion in U.S. bonds (government promises to pay), which are then delivered to the Federal Reserve.

The Federal Reserve then pays the cost of printing the $1 billion (about $1,000) and makes the exchange. The government then uses the money to pay its obligations. The government has now indebted the people to private bankers for $1 billion on which the people must pay interest. Countless such transactions have taken place since 1913 so that by the 1980s, the U.S. government was indebted to bankers for over $1 trillion on which the people paid, at that time, over $100 billion a year in interest alone. By 1995, the total federal debt had grown to over $5 trillion, with an annual interest payment of $203 billion, 14% of that federal budget. As of October 12, 2006, the federal deficit stands at **$8,549,046,796,703.34 ($8.54 Trillion)**. Last year (2005), the interest payments alone on the federal deficit totaled $318 billion. With an estimated United States population of 299,678,958 people, each citizen's share of this debt is $28,527.35. Since September 30, 2005, the National Debt has continued to increase an average of $1.64 billion per day, all the while continuing to collect interest. Much of this debt is for military expenditures.

"People who will not turn a shovel full of dirt on a project, nor contribute a pound of material, will collect more money from the United States than will the People who supply all the material and do all the work. This is the terrible thing about interest … But here is the point: If the Nation can issue a dollar bond it can issue a dollar bill. The element that makes the bond good makes the bill good also. The difference between the bond and the bill is that the bond lets the money broker collect twice the amount of the bond and an additional 20%. Whereas the currency, the honest sort provided by the Constitution, pays nobody but those who contribute in some useful way. It is absurd to say our Country can issue bonds and cannot issue currency. Both are promises to pay, but one fattens the usurer and the other helps the People. If the currency issued by the People were no good, then the bonds would be no good, either. It is a terrible situation when the Government, to insure the National Wealth, must go in debt and submit to ruinous interest charges at the hands of men who control the fictitious value of gold. Interest is the invention of Satan." ***– Thomas A. Edison, the New York Times, 12/6/1921***

Fractional (Federal) Reserve Banking

"The study of money, above all other fields in economics, is one in which complexity is used to disguise truth or to evade truth, not to reveal it. The process by which banks create money is so simple that the mind is repelled."
– John Kenneth Galbraith in "Money: Whence it Came, Where it Went" (1975)

Furthering the irony of a Federal Reserve that isn't federal, this banking system also possesses no actual "reserves," as we will now see.

Fractional reserve banking is a special privilege given to the Federal Reserve System to create credit (debt) out of nothing – out of "thin air." By extending this credit/debt to everyone else in society who does not have the same privilege, and then collecting from society the money plus interest, Federal Reserve banks become very rich without having to produce anything of *value.* Value is found in the work that people do and the products that industry creates. But fractional reserve banking creates “value” out of nothing and “value” is found in the form of debt (a promise to pay).

Under this kind of banking system, United States Bonds (government securities; government promises to pay) become "assets" of the banks in the Reserve System, which they then use as "reserves" to "create" more "credit" to lend. Current "reserve" requirements allow them to use, for instance, $1 billion in bonds to "create" as much as $9 billion in new "credit" (principle) to lend to states, municipalities, individuals, and businesses, which will in turn accumulate interest. Their cost: approximately $1,000 for the printing and administration of the original $1 billion. In order for the people, collectively, to have money to carry on trade and commerce, they must borrow the "created credit" of the Federal Reserve Banking System and also pay them interest, with all money coming into existence as debt.

"We are completely dependant on the commercial banks. Someone has to borrow every dollar we have in circulation, cash or credit. If the banks create ample synthetic money we are prosperous; if not, we starve. We are absolutely without a permanent money-system.... It is the most important subject intelligent persons can investigate and reflect upon. It is so important that our present civilization may collapse unless it becomes widely understood and the defects remedied very soon." ***– Robert H. Hemphill, Atlanta Federal Reserve Bank, in foreword of “100% Money” by Irving Fisher***

All the Gold of the Nation

"The [Federal Reserve Act] as it stands seems to me to open the way to a vast inflation of the currency... I do not like to think that any law can be passed that will make it possible to submerge the gold standard in a flood of irredeemable paper currency."
– Henry Cabot Lodge Sr., 1913

If it is left in place long enough, the group who controls this system of debt creation will own all the gold available in the nation. In America, this part of the process took place in the midst of “The Great Depression” in 1933, when Franklin Delano Roosevelt issued executive orders 6073, 6102, 6111, and 6260, accompanied by House Joint Resolution 192 on June 5, 1933, essentially outlawing the possession of gold (“hoarding”) that was then taken and used to pay off outstanding government debts to the Federal Reserve. Once the supply of real money (gold) belonged to the banks, they literally owned the entire nation. Why? Because banks take complete control of the only source of operating medium (money) available through which the nation functions. Besides those who have the privilege of “creating” money, everyone else is limited to how much money they have access to. After two or three generations and beyond, the friends and allies of the banking industry will always own all of the nation – just as America is now, essentially, owned by a very small cadre of wealthy people.

Wherever this system operates, how long this process takes to work its way through the wealth of a nation depends upon how successful the restriction of the formal government's issuance of real money is. As the supply of real money shrinks, the people of the nation must rely on the creation of debt by a privileged few to a greater and greater extent, until all that is left is a massive amount of "unpayable debt." Those with the privilege of creating debt become the de facto (illegally usurped) government because of the "money power" they wield.

The Interest Amount is Never Created

Our U.S. Dollars: "Credit" representing a debt, or “debt instruments.” When the state and people borrow large sums, we seem to prosper. However, banks and credit companies "create" only the amount of the principal of each loan, never the extra amount needed to pay the interest. Therefore, the new money in circulation never equals the new debt added. The amount needed to pay the interest on loans is not "created," and therefore does not exist.

Under this kind of a monetary system, where new debt always exceeds the new money no matter how much or how little is borrowed, the total debt increasingly outstrips the amount of money available to pay the debt. Therefore, since the amount of money needed to pay the interest is never created, the economy must “grow” through steady inflation and the creation of more debt. This is the reason for and nature of our “growing economy”: the money needed to pay the increasing debt and interest must come from new principle, which is always created in the form of new debt that will come with new interest, which in turn leads to increasing inflation – a vicious cycle indeed. This is why your money loses value every moment it stays in your pocket. Over the past thirty-five years, the U.S. dollar has lost over 75% of its value.

Furthermore, a “growing economy” is simply more money exchanging hands more often. Naturally, when a country goes to war, it will need to borrow money, and this money will then filter into circulation and help the economy “grow.” Similarly, an economy will also “grow” when someone is admitted to a hospital. In other words, a “growing economy” is not necessarily an indicator of health for a nation or the world.

“While economic textbooks claim that people and corporations are competing for markets and resources, I claim that in reality they are competing for money - using markets and resources to do so. Greed and fear of scarcity are being continuously created and amplified as a direct result of the kind of money we are using. For example, we can produce more than enough food to feed everybody, and there is definitely enough work for everybody in the world, but there is clearly not enough money to pay for it all. In fact, the job of central banks is to create and maintain that currency scarcity. Money is created when banks lend it into existence. When a bank provides you with a $100,000 mortgage, it creates only the principal, which you spend and which then circulates in the economy. The bank expects you to pay back $200,000 over the next 20 years, but it doesn't create the second $100,000 - the interest. Instead, the bank sends you out into the tough world to battle against everybody else to bring back the second $100,000.”
– Bernard Lietaer, former Central Banker (Belgum), author of “The Future of Money”

The following example will help to show the nature of this usury-debt system with its "built-in" shortage of money.

If $300,000 is Borrowed, $718,527.60 Must Be Paid Back

When a citizen goes to a bank and borrows $300,000 to help purchase, for example, a home, the borrower agrees to pay back the loan plus interest. At 7% interest for 30 years, the borrower must agree to pay $1,995.91 per month for 30 years for a tota1 of $718,527.60. The borrower is then required to assign to the bank the right of ownership of the property if the borrower does not make the required payments. The bank then gives the borrower a $300,000 check or a $300,000 deposit slip crediting the borrower's checking account with $300,000.

The borrower then writes checks to the builder, subcontractors, etc., who in turn write checks. $300,000 of new "checkbook" money is thereby added to "money in circulation."

However, and this is the fatal flaw in a usury system, the only new money created and put into circulation is the amount of the loan, $300,000. The money to pay the interest is NOT created, and therefore was NOT added to "money in circulation."

Even so, this Borrower (and those who follow in ownership of the property) must earn and TAKE OUT OF CIRCULATION $718,527.60, over $415,000 MORE than was put IN CIRCULATION when the original $300,000 was borrowed.

Every new loan puts the same process in operation. Each borrower adds to the total money supply when they borrow, but the payments on the loan (because of interest) then deduct a much LARGER sum from the total money supply. To differing degrees, this math can also be applied to examples such as the government’s (people’s) debt for war, or for someone who must borrow money for hospital care.

Under this system, there is therefore no way all debtors, collectively, can pay off the moneylenders. As they pay the principal and interest, the money in circulation disappears and more money must be borrowed (with interest) in order to carry on trade and commerce. As time goes on, the government and the people borrow more and more from the moneylenders each generation. The moneylenders, who produce nothing of value, slowly, then more rapidly, gain ownership of the land, buildings, and present and future earnings of the whole working population. In essence, the borrowers have become the servants of the lenders lenders under this modernized form of debt slavery.

Small Loans Do the Same Thing

As another example, let us consider a small loan for 3 years at 18% interest. Step 1: Citizen borrows $5,000 and pays it into circulation, signing a note agreeing to pay the

Banker $6,500. Step 2: Citizen pays $180 per month of their earnings to the Banker. In 3 years s/he will take OUT of circulation $1,500 more than s/he put IN circulation. Every loan of banker "created" money (credit) causes the same thing to happen. Since this has happened millions of times since 1913 (and continues today), we can see why America has become a debt-ridden nation where our government and people are all paying usury-tribute to a banking institution.

"Money is a new form of slavery, and distinguishable from the old simply by the fact that it is impersonal – that there is no human relation between master and slave."
– Leo Tolstoy

Debt: Your Promise to Pay

"Neither paper currency nor deposits have value as commodities. Intrinsically, a 'dollar' bill is just a piece of paper. Deposits are merely book entries."
– Modern Money Mechanics Workbook, Federal Reserve Bank of Chicago, 1975

In the millions of transactions made each year like those above, little actual currency changes hands, nor is it necessary that it do so. Indeed, 95% of all "cash" transactions in the U.S. are electronic or by check, so the Banker is perfectly safe in "creating loans" by writing the check or deposit slip, not against actual money (something of positive value), but AGAINST YOUR PROMISE TO PAY IT BACK (DEBT). Our Congress represents the people, yet the Federal Reserve does not. Hopefully, we can now begin to see the ways in which these kinds of potential inequities were of concern to our founders.

The Evolution of Debt in America

In 1910 the U.S. federal debt was only $1 billion, or $12.40 per citizen. State and local debts were practically non-existent.

By 1920, after only 6 years of the Federal Reserve, the federal debt had jumped to $24 billion, or $228 per person.

In 1960 the federal debt reached $284 billion, or $1,575 per citizen. State and local debts were expanding rapidly.

By 1981 the federal debt passed $1 trillion and was growing exponentially as "The Fed" tripled interest rates. State and local debts are now MORE than the federal, with total government debts totaling over $8 trillion, 4 times the value of all land and buildings in America.

If we signed over to the moneylenders all of America we would still owe them 3 more Americas (plus interest).

However, banking institutions do not take title to everything. Indeed, the system is perpetuated through leaving people with the "illusion of ownership," so we and our children and beyond will continue to work and pay the banking industry with more of our earnings in ever-increasing debts. Carefully read your mortgage agreement and ask yourself if you still believe you really own your home. It is, in essence, our lack of awareness of and our acquiescence to this form of economic manipulation that has allowed it to take place. Now, the banking "establishment" has come to own this country with an illegal system of usury and debt as certainly as if they had marched in with a uniformed army.

"Banking was conceived in iniquity and was born in sin. The Bankers own the earth. Take it away from them, but leave them the power to create deposits, and with the flick of the pen they will create enough deposits to buy it back again. However, take it away from them, and all the great fortunes like mine will disappear and they ought to disappear, for this would be a happier and better world to live in. But, if you wish to remain the slaves of Bankers and pay the cost of your own slavery, let them continue to create deposits."
– Sir Josiah Stamp (President of the Bank of England in the 1920's, the second richest man in Britain at the time)

A Gambling Metaphor

So that we can further understand that periodic withdrawal of money through interest payments will inexorably transfer all wealth in the nation to the receiver of interest, imagine yourself in a poker or dice game where everyone must buy the chips (the medium of exchange) from a "banker" who does not risk chips in the game, but watches the table and every hour reaches in and takes 10% to 15% of all the chips on the table. As the game goes on, the amount of chips in the possession of each player will go up and down with his or her "luck." However, the TOTAL number of chips available to play the game (carry on trade and business) will decrease rapidly.

The game will get low on chips, and some players will run out. If they want to continue to play, they must buy or borrow them from the "banker." The "banker" will sell (lend) them ONLY if the player signs a "mortgage" (promise to pay/debt) agreeing to give the "banker" some real property (car, home, business, etc.) if he or she cannot make periodic payments to pay back all of the borrowed chips – plus some EXTRA ones (interest). The payments must be made on time, whether he or she wins (makes a profit) or not.

It is easy to see that no matter how skillfully everyone plays, eventually the "banker" will end up with all of their original chips back, and except for the very best players, the rest will continue, gradually, to lose all they own as long as they stay in the game.

In real life, even if we borrow little ourselves from banking institutions, the local, state, and federal governments borrow billions in our name, appropriate the money, and then proceed to confiscate large portions of our earnings (taxes) from us and pay it back to the same bankers with interest. We are forced to play this game, and none can leave except by death. We pay as long as we live, and our children pay after we die. If we cannot pay, the same government will foreclose on our property if banks do not foreclose themselves. Bankers risk nothing in the game, but merely take a percentage.

Within the past few decades, real "cards" have been added to this game. "Credit" cards have been promoted as a convenience and a great boon to trade. However, they are also devices by which bankers can collect 2% to 5% of every retail sale from the seller and, on average, 18% interest from buyers.

Income & Interest

What happens to debt as it is paid off? In actuality, interest payments are collected first as profit, while payments that cut into the principle extinguish the money, taking it out of circulation. As money is always and only “created” through debt deposits (which become “assets” of the banks – their “reserves,” meaning money has “two faces”), earned income that is applied to a bank debt cancels out that creation, although any leftover portion of principle will begin collecting interest again immediately. This is why credit card companies are happy to accept minimum payments, which are often equal to the amount of interest accrued over the past month. As long as there is debt principle, interest will bring in profits. Yet, people must often go into new debt in order to pay their old debts. The more debt is created, the more banks can loan to the government and people at interest because of the nature of the “reserve” system. And since money is backed by nothing more than debt, to pay off all of our debts would be to completely destroy the money supply.

While most people believe our income taxes pay for social services, the fact is that all of our taxes go to pay off the interest on the federal deficit, which is most likely why the income tax (16th Amendment) was created the same year as the Federal Reserve (1913). All social services and government expenses, including military expenditures, are paid for through more debt that comes with interest. Along with inflation, our income taxes are the only means through which we can possibly begin to pay the interest on the federal deficit.

“By this means government may, secretly and unobserved, confiscate the wealth of the people and not one man in a million will detect the theft. Should government refrain from regulation (taxation), the worthlessness of the money becomes apparent and the fraud can no longer be concealed.” ***– John Maynard Keynes, economist, author of "The Economic Consequences of the Peace."***

"100% of what is collected is absorbed solely by interest on the Federal Debt ... all individual income tax revenues are gone before one nickel is spent on the services taxpayers expect from government." **– Grace Commission report submitted to President Ronald Reagan on January 15, 1984**

“Our” Government

"This is a government of the people, by the people and for the people no longer. It is a government of corporations, by corporations, and for corporations."
– President Rutherford B. Hayes

"Some people think the Federal Reserve Banks are the United States government's institutions. They are not government institutions. They are private credit monopolies which prey upon the people of the United States for the benefit of themselves… The sack of the United States by the Fed is the greatest crime in history. Every effort has been made by the Fed to conceal its powers, but the truth is the Fed has usurped the government. It controls everything here and it controls all our foreign relations. It makes and breaks governments at will.”
– Congressional Record 12595-12603 – Louis T. McFadden, Chairman of the Committee on Banking and Currency (12 years), June 10, 1932

Democrat, Republican, and Independent voters who have wondered why politicians always spend more tax money than they take in should now see the reason. It takes only a little imagination to see that if Congress had been "creating" and spending or issuing into circulation the necessary increase in the money supply, *there would be no national debt*. Since there would be no ORIGINAL cost of money except printing, and no CONTINUING costs such as interest, federal taxes could be almost eliminated, except for instances where taxation is used as a means to take money out of circulation when there is more than enough to carry on current levels of trade. Otherwise, money, once in circulation, would remain there and go on serving its purpose as a medium of exchange for generation after generation and century after century, with NO payments to banking institutions whatsoever.

"I have never seen more Senators express discontent with their jobs... I think the major cause is that, deep down in our hearts, we have been accomplices in doing something terrible and unforgivable to our wonderful country. Deep down in our heart, we know that we have given our children a legacy of bankruptcy. We have defrauded our country to get ourselves elected." ***– John Danforth, Republican senator from Missouri, reported in the Arizona Republic of April 21, 1992***

Mounting Debts and Wars

"A majority of the people of the United States have lived all of their lives under emergency rule. . . And, in the United States, actions taken by the Government in times of great crises have, in important ways, shaped the present phenomenon of a permanent state of national emergency."
– Introduction to Senate Report 93-549 (93rd Congress, 1st session, 1973)

Instead of peace and debt-free prosperity, we have endured ever-mounting debt and periodic wars. As many are slowly coming to realize, we as a people are now, de facto, ruled by a system of banks that has become a centralized, all-powerful political apparatus. Our two large political parties have – as a means of sustaining their power – become its servants, the various departments of government its spending agencies, and the Internal Revenue Service its collection agency. In this way, the actions of our government sponsor expenditures that benefit bankers who have interests in many other industries, including conglomerated media, big pharmaceutical companies, and the military-industrial complex.

Besides creating American money, creating “enemies” is also very profitable for the banking business. An American population that has essentially lived in a 75-year era of fear is asked to go billions of dollars more into debt for the financing of "military preparedness," or "foreign aid to stop communism” (including American intervention), or “The War on Terror,” as a few examples, the last having no end in sight. When the war is over, we are billions of dollars more in debt to the banking industry. When the destroyed infrastructure of a defeated, war-torn country must be rebuilt, reconstruction will also be financed by the banking industry, which then, through reconstruction, installs debt-based systems of banking in these countries as well (see Latin and South America and, most recently, Iraq). Indeed, most wars around the globe are financed through debts and loans from the banking industry. Historically, these loans are made upon the condition that the victorious side pays the war debts of the defeated. The banking industry needs only to sit back and wait to see which side to collect from.

“When a government is dependent upon bankers for money, they and not the leaders of the government control the situation, since the hand that gives is above the hand that takes… Money has no motherland; financiers are without patriotism and without decency; their sole object is gain.” ***– Napoleon Bonaparte, 1815***

Consider the nature of American foreign policy since both the establishment of the Federal Reserve and the onset of the Great Depression. World War I began a year after the passage and signing of the Federal Reserve Act, while the Great Depression facilitated the economic conditions for the emergence of World War II, with the banking industry financing both the Axis and the Allied powers as well as the nuclear armament of both Cold War powers. An endless “War on Terror” means huge profits for both banks and government officials at the expense of the American people.

As we begin to better understand the nature of a permanent war economy based on the furtherance of bank-financed debt owed by governments and people, we can begin to see the potential correlation to a century of global military carnage. Meanwhile, the United States is the largest exporter of weapons in the world, leading a top five that consists of the five countries with permanent seats on the United Nations Security Council.

Let us now consider a more equitable method of providing money as the medium of exchange. This will include some historical perspectives that are glaringly absent from what is taught in our schools.

The Constitutional Method – Every Citizen is a Stockholder

“The Government should create, issue, and circulate all the currency and credit needed to satisfy the spending power of the Government and the buying power of the consumers. The privilege of creating and issuing money is not only the supreme prerogative of Government, but it is the Government’s greatest creative opportunity.”
– Abraham Lincoln’s monetary policy, 1865, Senate document no. 23, page 91

"When the Federal Reserve was created, its stock was sold to the member banks."
– From “The Hats the Federal Reserve Wears,” published by the Federal Reserve Bank of Philadelphia

If we were to use the Constitutional way of "creating" the money needed in the nation, Congress would spend most of its time and study on the issuance and control of an adequate supply of stable money for the people (making monetary policy an integral aspect of political discourse once again). If an increase of population and/or production required an increase in the medium of exchange, Congress would authorize the creation, "coining," or printing of the determined amount, of which the value would be fixed to something of positive value (as opposed to a “promise to pay”). Some could be used to pay current legitimate expenses of the federal government, with the balance paid directly to the citizens, thereby immediately increasing our standard of living and boosting the economy. A payment of only $20 to each citizen would put $5.6 billion of debt-free and interest-free money into circulation.

When suggestions such as this surface, the banking lobby immediately warns that it would soon be "worthless" and would "cause inflation."

The truth is that it is the immense usury charges on "created" credit (our debt) that is the sole cause of “inflation.” ALL prices on ALL industry, trade and labor must be raised periodically to pay the ever-increasing usury charges. This is the ONLY cause of higher prices, including gas. More accurately, prices do not go up, but rather the value of your money goes down. Because of this, inflation is more aptly described as another, more subtle, form of taxation. And while it seems as though inflation is more beneficial to debtors than creditors, in reality this inflation is the only means through which we can begin to pay back the increasing interest without going into bankruptcy and poverty and/or recognizing the fraud. It is the inflation that perpetuates the system. The main “responsibility” of the Federal Reserve, besides creating money, is to regulate interest rates and inflation.

Under a Constitutional economic system, no private banks would exist with this much power. Private banking would be what it is supposed to be – an entity that takes care of your real, government-issued money and, with your permission, invests it wisely. Real government banks under the control of the people's representatives would issue and control all money and credit. They would issue not only actual currency, but could also lend limited credit at no interest for the purchase of capital goods, such as homes. A

$300,000 loan would require only a $300,000 repayment, not $718,527 as it does now. Everyone who supplied materials and labor for the home would get paid just as they do today, but the banking industry would NOT get over $415,000 in usury.

"History records that the money changers have used every form of abuse, intrigue, deceit, and violent means possible to maintain their control over governments by controlling money and its issuance." ***–- James Madison***

The Revolutionary War

History tells us of debt-free and interest-free money issued by governments. The American colonies did so in the 1700s, and their wealth soon rivaled England, instigating restrictions from Parliament. This was the main cause of the Revolutionary War. Before the war for American independence, Benjamin Franklin wrote the following:

"There is abundance in the Colonies, and peace is reigning on every border. It is difficult, and even impossible, to find a happier and more prosperous nation on all the surface of the globe. Comfort prevails in every home. The people, in general, keep the highest moral standards, and education is widely spread… We have no poor houses in the Colonies; and if we had some, there would be nobody to put in them, since there is, in the Colonies, not a single unemployed person, neither beggars nor tramps."
– Benjamin Franklin

This was not the case in England, which had a Fractional Reserve Banking system in place – and where delinquent debtors were often thrown in jail. There was much poverty in London and elsewhere in England. Here, Franklin explains the difference between England and her colonies:

"In the colonies, we issue our own paper money. It is called 'Colonial Scrip.' We issue it in proper proportion to make the goods pass easily from the producers to the consumers. In this manner, creating ourselves our own paper money, we control its purchasing power and have no interest to pay to anyone… You see, a legitimate government can both spend and lend money into circulation, while banks can only lend significant amounts of their promissory bank notes, for they can neither give away nor spend but a tiny fraction of the money the people need. Thus, when your bankers here in England place money in circulation, there is always a debt principal to be returned and usury to be paid. The result is that you have always too little credit in circulation to give the workers full employment. You do not have too many workers, you have too little money in circulation, and that which circulates, all bears the endless burden of unpayable debt and usury." ***– Benjamin Franklin***

Soon enough, however, the English banks imposed restrictions on the Colonies' issuance of Colonial Scrip, possibly as a reaction to the statements of Benjamin Franklin, which were widely publicized at the time. The first law was created in 1751, with more restrictive measures in place by 1763. Because money derives its authority from its ability to pay taxes, Colonial Scrip became illegal tender with which to pay dues to Parliament. Poverty and unemployment began to plague the colonies just as it had in England, because the operating medium had been cut in half and there were insufficient quantities of money to pay for goods and work. Indeed, this was the cause of the Revolutionary War, not simply "taxation without representation," as is taught in most history books.

"The Colonies would gladly have borne the little tax on tea and other matters had it not been the poverty caused by the bad influence of the English bankers on the Parliament, which has caused in the Colonies hatred of England and the Revolutionary War."
– Benjamin Franklin

Abraham Lincoln

"I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. Corporations have been enthroned, an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its REIGN by working upon the prejudices of the people until the wealth is aggregated in a few hands and the Republic is destroyed." ***– President Abraham Lincoln after the National Banking Act of 1863 was passed***

If we ever tried a Constitutional issue of debt-free, interest-free currency, even a limited issue, the benefits would be apparent immediately. Yet, this has not been the case in this country for 143 years. Abraham Lincoln was the last President to issue such debt-free and interest-free currency in 1863 ("Lincoln Greenbacks") and was assassinated two years later, ending the implementation of this monetary policy.

Abraham Lincoln's Monetary Policy, 1865
(Senate document no. 23, page 91)

> "Money is the creature of law and the creation of the original issue of money should be maintained as the exclusive monopoly of national Government … No duty is more imperative for the Government than the duty it owes the People to furnish them with a sound and uniform currency, and of regulating the circulation of the medium of exchange so that labor will be protected from a vicious currency, and commerce will be facilitated by cheap and safe exchanges. Government should stand behind its currency and credit and the Bank deposits of the Nation. No individual should suffer a loss of money through depreciation or inflated currency or bankruptcy.
>
> "Government possessing the power to create and issue currency and credit as money and enjoying the right to withdraw both currency and credit from circulation by Taxation and otherwise need not and should not borrow capital at interest as a means of financing Governmental work and public enterprise. The Government should create, issue, and circulate all the currency and credit

> needed to satisfy the spending power of the Government and the buying power of the consumers. The privilege of creating and issuing money is not only the supreme prerogative of Government, but it is the Governments greatest creative opportunity.
>
> By the adoption of these principles the long felt want for a uniform medium will be satisfied. The taxpayers will be saved immense sums of interest, discounts, and exchanges. The financing of all public enterprise, the maintenance of stable Government and ordered progress, and the conduct of the Treasury will become matters of practical administration. The people can and will be furnished with a currency as safe as their own Government. Money will cease to be master and become the servant of humanity. Democracy will rise superior to the money power."

Abraham Lincoln was assassinated later that year.

"The death of Lincoln was a disaster… There was no man in the United States great enough to wear his boots and the bankers went anew to grab the riches. I fear that foreign bankers with their craftiness and tortuous tricks will entirely control the exuberant riches of America and use it to systematically corrupt modern civilization."
– Otto von Bismarck, German Chancellor, after the Lincoln assassination

John F. Kennedy

On June 4, 1963 (exactly five years, to the day, before the assassination of Robert F. Kennedy), a little-known attempt was made to strip the Federal Reserve Bank of its power to loan money to the government at interest. On that day, President John F. Kennedy signed Executive Order No. 11110, returning to the U.S. government the power to issue currency without going through the Federal Reserve. Kennedy's order gave the Treasury the power "to issue silver certificates against any silver bullion, silver, or standard silver dollars in the Treasury." This meant that for every ounce of silver in the U.S. Treasury's vault, the government could introduce new money into circulation. In all, President Kennedy brought nearly $4.3 billion in U.S. Government Notes into circulation. The ramifications of this bill are enormous.

With the stroke of a pen, JFK was on his way to putting the Federal Reserve Bank of New York out of business. If enough of these silver certificates were to come into circulation, they would have eliminated the demand for Federal Reserve notes, because the silver certificates are backed by silver, while Federal Reserve notes are backed only by a "promise to pay" (debt). Executive Order 11110 could have prevented the national debt from reaching its current level, because it would have given the government the ability to repay its debt without going to the Federal Reserve and being charged interest in order to create new money. Indeed, Executive Order 11110 gave the U.S. government the ability to create its own money backed by silver, per Article I, Section 8 of the United States Constitution.

After John F. Kennedy was assassinated just five months later, no more silver certificates were issued. This Executive Order is still valid. Why then, has no president utilized it? Most of the $8 trillion in American debt has been created since 1963, and if a U.S. president had utilized Executive Order 11110, the debt would be nowhere near the current level. President Kennedy challenged the government of money by challenging the two most successful vehicles that have ever been used to drive up debt – war and the creation of money by a privately owned central bank. His efforts to have all troops out of Vietnam by 1965 along with Executive Order 11110 could have and would have severely cut into the profits and control of the New York banking establishment.

Freedom from Interest and Debt

Several Arab nations issue interest-free loans to their citizens today, which concurs with the tenets of Islam. (See Koran Sura 30:38, which says, “What ye put out at usury to increase it with the substance of others, shall have no increase from God.”) This is also the case with most wisdom traditions and religions, many of which speak to this issue in their sacred texts.

The Old Testament says, “Unto thy brother thou shalt not lend upon usury, that the lord thy God may bless thee in all that thou settest thine hands to” (Deuteronomy 23:20).

Historically, the litany of Christian councils specifically condemning the practice of charging interest is quite impressive: the Council of Elvira (CE 305-306), Arles (314), Nice (325), Cartage (348), Taragona (516), Aix-la-Chapelle (789), Paris (829), Tours (1153), the Lateran Council (1179), Lyons (1274), and Vienna (1311), among others. The Vienna Council actually called for the excommunication of any ruler who failed to criminally punish anybody committing usury.

Additionally, the Catholic Church remained prominently in battle against the “sin of usury” until the 19th century. Obviously, the issue of interest has been significant for thousands of years.

The Saracean Empire forbade interest on money for 1,000 years, and its wealth outshone even Saxon Europe. Mandarin China issued its own money, interest-free and debt-free, and many historians and collectors of art today consider those centuries to be China's time of greatest wealth, culture, and peace.

Issuing interest-free government notes leaves the money available to use in the exchange of goods and services, and its only continuing cost is replacement as the paper wears out. Money is the paper ticket by which such transfers are made and should always be in sufficient quantity to transfer all possible production of the nation to ultimate consumers. Recessions and depressions take place ONLY because of a lack of an adequate supply of money.

It is as ridiculous for a nation to say to its citizens, "You will have to consume less because we are short of money" as it would be for an airline to say, "Our planes are flying, but we can't take you because we are short of tickets."

News and Information: Why You Haven't Known

“The great enemy of the Truth is very often not the lie - deliberate, contrived, and dishonest -- but the myth -- persistent, persuasive and realistic.” ***– John F. Kennedy***

"All the perplexities, confusion and distress in America rise, not from defects in their Constitution or Confederation, not from want of honor or virtue, so much as from downright ignorance of the nature of coin, credit and circulation.”
– John Adams, in a letter to Thomas Jefferson in 1787

"The few who understand the system will either be so interested from its profits or so dependent on its favors, that there will be no opposition from that class, while on the other hand, the great body of people mentally incapable of comprehending the tremendous advantage that capital derives from the system, will bear its burdens without complaint, and perhaps without even suspecting that the system is inimical to their interests.”
– Rothschild Brothers of London, 1863

“Men occasionally stumble across the truth. But most of them pick themselves up and hurry off as if nothing had happened.” ***– Winston Churchill***

This study of money can easily be charged with oversimplification. It is easy to imagine that somebody, at some point, would have done something about this if it were true. However, this monetary system is as old as Babylon, and even in America it dates far back before the year 1913. Actually, 1913 may be considered the year in which this plan came to full fruition, with modern banking becoming officially and completely institutionalized.

Those who control money can also control the information available to the public, which will not include a simple acknowledgement of how our money system operates. You will not see this information on television, nor will you hear it on the radio. Schools, newspapers, libraries, and bookstores rarely have articles or books that directly address this subject, although the literature exists (see references). However, with the help of alternative and independent media as well as the internet, many citizens are learning the truth. By all means, check the facts, do the math, and inquire further into the details. Simply using a search engine is a good place to start, in addition to the list of further references and resources following the conclusion of this study. Perhaps an even better place to begin is to look at the world and use your intuition.

Those who further the prevailing economic agenda have been, for many years, in positions of prominence. They may not all be aware of their role and some, although aware, may find many convenient justifications for continuing their support. I do not wish to directly address the inner motivations or subjective inclinations of other people here. Fractional Reserve Banking is now a global institution that has been inherited by modern civilization. We all must participate in this deeply rooted system in order to function and survive within the economic confines of society. However, understanding the nature of these confines can help us create a just economy that serves the needs of the people, enabling them to receive the appropriate financial rewards and compensation for their labor and creativity. We, the People, need only explore the real implications of the meaning of money and use our collective imagination.

The Federal Reserve has never been audited by the government since it was established in 1913. In 1975 a bill, H.R. 4316, to require an audit was introduced in Congress. It was not passed. No audit of the Fed has ever been made.

"Most Americans have no real understanding of the operation of the international money lenders. The accounts of the Federal Reserve System have never been audited. It operates outside the control of Congress and manipulates the credit of the United States." -- ***Sen. Barry Goldwater (Rep. AR)***

Study For Yourself, Let Others Know

I believe that compassion for all people – including oneself – and concern for future generations should make anyone deeply interested in this, the world's greatest problem, for our generation has not suffered as the coming generations will. When the credit/debt bubble is pricked, the banking industry will foreclose on America. However, this will only be the case if nothing is done and the People continue to live in ignorance of our money system. International speculators and financiers are afraid of only one thing: an awakened citizenry, armed with the truth, and with a trust in their own innate power to choose wisely and compassionately. Knowledge is power, and what we do with this power is in our hands. As the wise saying goes, the price of liberty is eternal vigilance, and complacency and apathy have become the diseases of an American society that lives in relative affluence. And while we cannot re-capture the past and prevent this from happening, we can empower ourselves to take responsibility for the global maladies of the present and co-create a future that can accommodate both the wisdom of our founders and the evolved sensibilities of current and future generations. All change takes place in the present, and the power of now belongs to the people, collectively. It is a power that has always existed, but has yet to be fully recognized. All we must do is exercise our rights and responsibilities, and use our imaginations creatively.

"We hold these truths to be self-evident: That all men (sic) are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness; that, to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed; that whenever any form of government becomes destructive of these ends, it is the right of the people to alter or to abolish it.

– Thomas Jefferson, principal author of The Declaration of Independence

This study is a collection of text and quotes from many independent, alternative, diverse sources (see references) and has otherwise been organized, edited, updated, amended, and written by "The Dingo" – not an economist but a concerned member of the world. (For more information on "The Dingo" and his concerns please see: www.evolutionaryjustice.com.)

More Quotes

"Let me issue and control a Nation's money and I care not who writes the laws."
-- Mayer Amshel (Bauer) Rothschild of the Rothschild banking dynasty, 1787

"I believe that banking institutions are more dangerous to our liberties than standing armies. Already they have raised up a monied aristocracy that has set the government at defiance. The issuing power (of money) should be taken away from the banks and restored to the people to whom it properly belongs."
***-- Thomas Jefferson, U.S. President,* to John Taylor, 1816**

"Mr. Chairman, the United States is bankrupt: It has been bankrupted by the corrupt and dishonest Fed. The man who deceives the people is a traitor to these United States. The Fed should be repealed, and the Fed Banks, having violated their charters, should be liquidated immediately. Faithless Government officials who have violated their oaths of office should be impeached and brought to trial…

"We have, in this country, one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board. This institution has impoverished the people of the United States and has practically bankrupted our government … there is not a man within the sound of my voice who does not know that this nation is run by the International bankers." ***-- Congressional Record 12595-12603 -- Louis T. McFadden, Chairman of the Committee on Banking and Currency (12 years), June 10, 1932. He survived two assassination attempts but not a third in 1935.***

"Mr. Speaker, we are now in Chapter 11... Members of Congress are official trustees presiding over the greatest reorganization of any bankrupt entity in world history."
-- ***James Trafficant, Congressman, March 17, 1993 in the Congressional Record (he is now serving time in prison)***

"You are a den of vipers and thieves and I intend to rout you out, and by the eternal God, I will rout you out. If Congress has the right to issue paper money [currency], it was given to them to be used by [the government] and not to be delegated to individuals or corporations." ***-- President Andrew Jackson, who vetoed the Bank Bill of 1836 (an earlier attempt at establishing a fractional reserve banking system)***

"To expose a 4.2 trillion dollar rip-off of the American people by the stockholders of the 1000 largest corporations over the last 100 years will be a tall order of business."
-- Buckminster Fuller

"If this mischievous financial policy, which has its origin in North America, shall become endurated down to a fixture, then that Government will furnish its own money without cost. It will pay off debts and be without debt. It will have all the money necessary to carry on its commerce. It will become prosperous without precedent in the history of the world. The brains, and wealth of all countries will go to North America. That country must

be destroyed or it will destroy every monarchy on the globe."
-- Hazard Circular - London Times 1865 (editorial)

" ... I am convinced that the agreement [establishing the World Bank] will enthrone a world dictatorship of private finance more complete and terrible than the Hitlerite dream. It offers no solution of world problems, but quite blatantly sets up controls which will reduce the smaller nations to vassal states and make every government the mouthpiece and tool of International Finance. It will undermine and destroy the democratic institutions of this country - in fact as effectively as ever the Fascist forces could have done… and will undoubtedly present a new menace, endangering world peace. World collaboration of private financial interests can only mean mass unemployment, slavery, misery, degradation and financial destruction. Therefore, as freedom loving Australians we should reject this infamous proposal."
-- Labor Minister of Australia, Eddie Ward, during the inception of the World Bank at Bretton Woods, gave this warning

"The powers of financial capitalism had a far-reaching plan, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole...Their secret is that they have annexed from governments, monarchies, and republics the power to create the world's money..."
-- Prof. Carroll Quigley, renowned, late Georgetown macro-historian (mentioned by former President Clinton in his first nomination acceptance speech), author of "Tragedy & Hope: A History of the World in Our Time"

"I am a most unhappy man. I have unwittingly ruined my country. A great industrial nation is controlled by its system of credit. Our system of credit is concentrated. The growth of the nation, therefore, and all our activities are in the hands of a few men. We have come to be one of the worst ruled, one of the most completely controlled and dominated Governments in the civilized world no longer a Government by free opinion, no longer a Government by conviction and the vote of the majority, but a Government by the opinion and duress of a small group of dominant men."
– ***Former President Woodrow Wilson***

"The money power preys upon the nation in times of peace and conspires against it in times of adversity. It is more despotic than monarchy, more insolent than the aristocracy, more selfish than the bureaucracy. It denounces, as public enemies, all who question its methods or throw light upon its crimes." ***-- Abraham Lincoln 16th president of the USA***

Frequently Asked Questions about the Federal Reserve
(from www.themoneymasters.com)

Question: Who owns the Federal Reserve Banks?
Answer: The Federal Reserve Banks of each region are owned by (issue their stock exclusively to) the member banks of that same region. The member banks are privately owned corporations. Thus the Federal Reserve Banks are privately owned. This is a matter of law and anyone may read the Federal Reserve Act of 1913 for themselves.

Question: Why then do some people deny that the Federal Reserve Banks are owned by private corporations?
Answer: For the most part, three "groups" of people deny this fact for differing reasons:

1) The first group consists of the private owners, benefactors, and agents of the Federal Reserve Banks. It is obviously not in their interest that the American people realize that private bankers own what most people regard as a part of the public treasury and government. The people would doubtless not like it if they knew that the stockholders of the Federal Reserve Banks receive 6% interest (raised higher in the past) per year on their stock ownership, risk free. To be certain, the people would also be legitimately concerned to know that the member bank stockholders elect six of the nine members (2/3rds) of the Boards of the reserve banks of their regions. Rather than government regulating or controlling the activities of private banks in their regions, the opposite is the case. The public may not own or trade Federal Reserve stock.
2) The second group consists of those persons who, in their ignorance, have believed the propaganda of the Federal Reserve Banks, which sometimes issue ambiguous, doublespeak statements attempting to obfuscate their private bank ownership. Here is a typical example from the NY Fed website, quite easily seen through: "*Although they are set up like private corporations and member banks hold their stock, the Federal Reserve Banks owe their existence to an act of Congress and have a mandate to serve the public. Therefore, they are not really "private" companies, but rather are "owned" by the citizens of the United States… Member banks do, however, receive a fixed 6 percent dividend annually on their stock and elect six of the nine members of the Reserve Bank's of their region… the Reserve Banks issue shares of stock to member banks.*"
3) The third group consists of those people who consider that because the Chairman of the Federal Reserve Board of Governors is appointed by the President and approved by the Senate, the Fed is firmly under government control and that this is sufficiently equivalent to ownership to put them at ease (never mind the outright private bank control of the 12 regional Federal Reserve Banks). Let's hear how the Fed itself regards such indirect "government control" (again from the NY Fed website): "*The Federal Reserve System is not "owned" by anyone and is not a private, profit-making institution. Instead, it is an independent entity within the government, having both public purposes and private aspects.*"

If you are a little uncomfortable with "your" Fed having "private aspects," you are not alone. Notice also the contradiction with the other NY Fed quote above, which claims the citizens of the United States own the Fed, while here it claims no one owns it (same website). The truth and the law is that the member banks own and control all 12 Federal Reserve Banks. Another interesting doublespeak quote from the NY Fed website: "*Therefore, the Federal Reserve can be more accurately described as <u>independent within the government</u>."* A little independence is a good thing, unless that independence is in reality virtually total, with the entity involved controlling the nation's money and economy. Think about it: if the Fed is independent from the government that created it, then who controls it?

Question: Doesn't the fact that the President appoints the Board of Governors of the Federal Reserve System make it a quasi-governmental sort of entity?
Answer: Yes, but how "quasi" is quasi-enough? The Board of Governors consists of 7 members, one appointed every two years (one term begins every two years, on February 1 of even-numbered years, a full year after inauguration day) by the President and confirmed by the Senate for **<u>14 year terms</u>**. Wow… those are really long terms. Why? Let's see: if a new President comes into office pledged to reform the Fed, end its independence from effective government oversight, throw the Governors out and replace them with his own appointees, he had better be very patient, as he can only replace one member every two years. So in his four-year term (10 years less than Fed Governors' terms) he can replace only two of the 7 members. Of course, he had better be able to sustain the ire of the remaining Governors (almost all connected to financial institutions indirectly within various academic and think-tank institutions financed by banks and bank grants or loans, or which they hope to join in revolving door relationships after their single terms are up), who can run the economy up, down or sideways, in the interim.

Yet, assuming the President can sustain the fight with the Fed, its bank-PAC financed cheerleaders in the Senate, voters upset over a suddenly sinking economy, the banks who control the Fed and the media giants they also own, then all this brave but foolhardy President has to do is get elected to a second term, and hang on long enough to appoint two more Board members. Thus, assuming all of this goes well, in the span of seven years (a glacial pace in American politics), near the end of his second term, he can finally begin some reform – if he manages to get his four appointees confirmed, is still in office and has any allies left – even in his own party.

Keep in mind also the distinction between the 12 regional Federal Reserve Banks, and the Federal Reserve System as a whole (the private ownership of the 12 Federal Reserve banks we addressed above). "Federal Reserve System" usually refers to the entire framework established by the Federal Reserve Act of 1913, including those 12, privately owned Federal Reserve Banks, and the Board of Governors of the system, which meets in Washington D.C. The Fed Board of Governors was also established by the Act of 1913. These are the 7 members with 14-year terms, also mentioned above. Two of them are appointed by the President to 4-year terms as Chairman and Vice Chairman of the Board (largely nominal positions - no extra votes). They, of course, are not owned like corporation stock is owned. So when someone is trying to mislead folks by denying any private ownership of the Fed, they will inevitably refer to the Federal Reserve System (rather than to the Federal Reserve Banks) and declare it is not privately owned (which is partly true [the Fed Board of Governors is not "owned"], and partly false [the 12 Federal Reserve banks are]). This has been addressed in detail, above.

Question: Have the courts had to decide whether the Federal Reserve Banks are privately owned or not?
Answer: Yes, in several cases. Here is one of them which went up to the 9th Circuit Court of Appeals: LEWIS v. UNITED STATES (previously cited within this essay):

John L. LEWIS, Plaintiff/Appellant v. UNITED STATES of America, Defendant/Appellate. No. 80-5905. United States Court of Appeals, Ninth Circuit. Submitted March 2, 1982; Decided April 19, 1982; As Amended June 24, 1982

"... Examining the organization and function of the Federal Reserve Banks and applying the relevant factors, **we conclude that the Reserve Banks... are independent, privately owned and locally controlled corporations... Each Federal Reserve Bank is a separate corporation <u>owned by commercial banks in its region</u>**. The stockholding commercial banks elect two-thirds of each Bank's nine member board of directors. The remaining three directors are appointed by the Federal Reserve Board. The Federal Reserve Board regulates the Reserve Banks, but direct supervision and control of each Bank is exercised by its board of directors. 12 U.S.C. § 301. The directors enact by-laws regulating the manner of conducting general Bank business, 12 U.S.C. § 341, and appoint officers to implement and supervise daily Bank activities. These activities include collecting and clearing checks, making advances to private and commercial entities, holding reserves for member banks, discounting the notes of member banks, and buying and selling securities on the open market. See 12 U.S.C. §§ 341-361… **The Banks are listed as neither "wholly owned" government corporations under 31 U.S.C. § 846 nor as "mixed ownership" corporations under 31 U.S.C. § 856… Additionally, Reserve Banks, as <u>privately owned entities</u>, receive no appropriated funds..."**

A SUMMARY THUS FAR: The Federal Reserve consists of 12 regional banks, the stock of which is owned and the Boards controlled by the member banks, which are privately owned bank corporations. These institutions receive 6% profit on their funds paid into the Fed, rain or shine, recession or prosperity, peace or war (sometimes more).

The Federal Reserve Board of Governors is an *independent* (its own word) entity "within" the government (*i.e.,* something much like an independent, internal parasite in a host organism), with 14 year, reform-proof terms (only one of 7 can be replaced every two years).

The Fed was deliberately designed to appear as a sort of government body to hide the fact that it is fundamentally a private banking cartel whose member banks share in the vast profits of *seigniorage* (the difference between the cost of printing or otherwise creating money [a few cents per $100], and its face value [over $99 per $100]). Seigniorage is properly a benefit solely to government (and indirectly then to the people) -- not to private bankers -- that the Federal Reserve Act, passed by misrepresentation and deception, transferred to the bankers. Thus, rather than the government receiving the vast benefits of creating our money, private banks create over 98% of our money supply -- literally billion$ annually - and eventually pocket that as private profit.

Since the bankers actually wanted to control the new, national central bank (called the Federal Reserve Banks), to accomplish this they had to make it *appear* governmental, which accounts for the occasional use of the term *quasi-governmental*, to describe this governmental facade. This also explains the construction of the Federal Reserve headquarters building on the Mall in Washington, D.C., right in the midst of the authentically governmental buildings there.

The real problem, thus, is not the Fed itself (it only makes about 2% of the money supply –- the base for the rest), but is really the private banks that, pursuant to the fractional reserve banking authorized by the Federal Reserve Act of 1913, make/create-from-nothing-for-their-private-profit the other roughly 98% of the U.S. money supply. The Fed is just a quasi-governmental smokescreen (and central organizing body) for the private banking cartel's money-creation operation.

Question: How does the Fed “create” money out of nothing?

Answer: It is a four-step process. But first a word on bonds: Bonds are simply promises to pay — or government IOUs. People buy bonds to get a secure rate of interest. At the end of the term of the bond, the government repays the principal, plus interest (if not paid periodically), and the bond is destroyed. There are trillions of dollars worth of these bonds at present. Now, here is the Federal Reserve moneymaking process:

Step 1: The Fed Open Market Committee approves the purchase of U.S. Bonds on the open market.

Step 2: The bonds are purchased by the New York Fed Bank from whomever is offering them for sale on the open market.

Step 3: The Fed pays for the bonds with electronic credits to the seller’s bank, which in turn credits the seller’s bank account. These credits are based on nothing tangible. The Fed just creates them.

Step 4: The banks use these deposits as reserves. Most banks may loan out ten times (10x) the amount of their reserves to new borrowers, all at interest.

For example, a Fed purchase of a million dollars worth of bonds gets turned into over 10 million dollars in bank deposits. The Fed, in effect, creates 10% of this totally new money and the banks create the other 90%.

This also explains why the Fed consistently holds about 10% of the total US Treasury bonds. It had to buy those (with accounts or Fed notes the Fed simply created) from the public in order to provide the base for the rest of the money the private banks then get to create, most of which eventually winds up being used to purchase Treasury bonds, thus supplying Congress with the borrowed money to pay for its expenditures.

Due to a number of important exceptions to the 10% reserve ratio, some loans require less than 10% reserves, and many no (0%) reserves, making it possible for banks to create many times more than ten times the money they have in “reserve”. Due to these exceptions from the 10% reserve requirement, the Fed creates only a little under 2% of the total U.S. money supply, while private banks create the other 98%.

To reduce the amount of money in the economy, the process is just reversed — the Fed sells bonds to the public, and money flows out of the purchaser's local bank. Loans must be reduced by ten times the amount of the sale. So a Fed sale of a million dollars in bonds, results in 10 million dollars less money in the economy.

Question: If private banks create over 90% of the money supply, then are they not a greater threat to democracy than the Fed itself?
Answer: Of course. The Fed was simply a smoke-screen designed to hide the stark reality that behind the Federal Reserve Act of 1913, signed by an unwitting President Wilson (who later deeply regretted that act), was a monumental power grab by the banking industry, who essentially wrote the legislation. The Federal Reserve Act allowed the Fed to establish a reserve requirement of between only 8% and 14% (presently set at 10% for most types of loans). That made it lawful for banks to loan far more than they had in deposits – to practice fractional reserve banking. The Fed centralized, nationalized and standardized this fraud on the people, and restricted its practice to banks only. In fact, the roughly 2% of the U.S. money supply the Fed creates actually is owned by the government (as it should be), but this tiny fraction obscures the fact that it is the base for the creation of the other 98% created by private banks as loans. Thus, simply having a Federal Reserve or similar national Central Bank, in itself, is not a bad thing (it can be a good thing) – but allowing private banks to practice fractional reserve banking (pursuant to the Federal Reserve Act of 1913 or any other such law) is the real problem, which affects all Americans and impoverishes peoples worldwide. For clarity, it should be renamed the Fractional Reserve Banking Act. The exponential concentration of wealth, in the U.S. and abroad, is due almost exclusively to fractional reserve banking by privately owned banks such as Bank of America, Wells Fargo, Citigroup, J.P. Morgan Chase, etc. The Fed is simply part of the mechanism screening this grave injustice from public knowledge and scrutiny.

Question: How do private banks create money?
Answer: Focusing on the majority of the US money supply, the method is as follows:

The Federal Reserve Notes and equivalent Federal Reserve Deposits (mentioned above) are deposited in local banks or to their credit at one of the 12 Fed banks. These funds serve as the base of bank loans, which require a 10% reserve. For example, if $1,000,000 of Federal Reserve notes or Fed deposits are entered on the books with the Fed to the credit of a bank (usually the bank of the person or company which just sold the Fed a Treasury bond/bill or note), that bank may loan all of that money out (at interest), except for 10% which is kept as its reserve. Thus $900,000 in this example may be loaned out by that bank.
In the usual case, the borrower of the $900,000 will not, of course, keep the money under the mattress; rather, it is deposited either in the same bank or in others. This $900,000 in new deposits may then be loaned out at interest by these banks, except for the 10% reserve. Thus $810,000 is loaned out a second time ($90,000 of the $900,000 being retained as reserves).
The newly loaned $810,000 is then deposited in these or other banks, allowing them to lend out $729,000 a third time (retaining 10% = $81,000 as reserves), and so on. This

process gets repeated over and over, each time the lending bank(s) retains 10%. It takes a series of 66 loans to reduce the funds available for relending to less than $1,000 by retention of 10% each time as bank reserves. In actual practice, due to numerous exceptions to the 10% reserve requirement, banks may lend the money even more times, resulting in even more money being created by them.

Thus, in our example, an original purchase by the Fed of $1,000,000 in Treasury bonds on the open market, by a series of deposits and loans in one or more banks, results in an expansion of the US money supply (via bank accounts simply created as loans by the lending banks) by a factor of 10x. After the process is completed, the total money in the US economy has been expanded by ten million dollars ($10,000,000), in this example. The Fed got to create 10% of this total, and private banks the other 90%, to lend at interest. In each individual bond purchase by the Fed, not just one bank profits from this scheme, rather the banking system as a whole does. However, in practice, the 4 largest international banks get roughly 80% of the profit, leaving the crumbs (still million$) to the smaller banks in your community.

What did the banks do to obtain this right to lend, relend, and relend again and again the same money (less 10% reserved each time)? Nothing, except lobby and mislead the public, the majority of Congress and President Wilson to think they were supporting legislation to reform banking justly under the Federal Reserve Act of 1913. They continue to hide, obfuscate and mislead the public, using media they purchased for this purpose, while corrupting the political system in the process.

This critically important piece of legislation – the Federal Reserve Act of 1913 - had to be disguised to accomplish the bankers' scheme, and so it was.

Recommended Resources for Further Research and Inquiry

On the Internet

www.themoneymasters.com
(offering insight along with a well-produced DVD documentary on this issue)

http://landru.i-link-2.net/monques/mmm2.html
(Here you can find “Modern Money Mechanics” published by the Federal Reserve Bank of Chicago, now out of print)

http://www.apfn.org/apfn/reserve.htm
(The full text of “Secrets of the Federal Reserve” by Eustace Mullins)

www.usmint.gov

www.federalreserve.gov
(this is the official website for the Federal Reserve System)

www.libertydollar.org

www.freerepublic.com

http://www.freedomdomain.com/bankquot.html
(Quotes from famous statesmen and the like on Banking)

http://www.john-f-kennedy.net/executiveorder11110.htm
(explains executive order 11110 issued by JFK for the printing of silver certificates)

www.cesj.org
(The website for the Center on Economic and Social Justice)

http://www.seek2know.net/money2.html
(transforming money)

www.monetaryevolution.net

www.perfecteconomy.com

http://reactor-core.org/america-created-money.html
(How the British threatened the Colonies’ issuance of debt and interest free money in the 1750’s, leading to the Revolutionary War for independence)

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Monetary Reform Links

The USA

The August Review - Global Elite Research Center
A highly recommended website for further information: **http://www.augustreview.com/**

Truth in Money, Inc., http://www.truthinmoney.com/index.html
Promoting sales of *Truth In Money* book and *Figuring Out the Fed* book by Thoren & Warner.

Transaction Net, http://www.transaction.net/index.html
Promoting new models of doing business online and new systems of monetary exchange.

A Proposed Bill for Interest Free Loans, http://www.loansinterestfree.com/index.html
Promoting adoption of HR1452, which would make interest-free loans available from the federal government to state and local governments for the exclusive purpose of building and repairing their respective infrastructures. This would allow infrastructure projects to be built for one-half to one-third the current cost, eliminating the need to pay interest over 20-30 years and exorbitant bond fees.

United Kingdom

http://www.prosperityuk.com/

History of Money, **http://www.ex.ac.uk/~RDavies/**
Free of charge by Roy Davies in Exeter promoting his 716 page book.

Canada

Canadian Centre for Policy Alternatives, **http://www.policyalternatives.ca**
Best known for its publications *Canadian Forum* and *The Monitor* advocating monetary reform.

Democracy Watch, http://www.web.net/dwatch/camp/bankdir.html
Consumer watchdog lobby group that has several campaigns including bank accountability.

Monetary Reform Magazine, http://www.monetary-reform.on.ca/main.shtml
Excellent reform magazine edited by Ian Woods in Canada.

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