# WAKE UP AMERICA!

# How U.S. and Foreign Bankers Stole America by Creating the Federal Reserve System

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- The Federal Reserve System is neither Federal nor a Reserve. It is a private corporation controlled by foreign banking interests (the “FED”).

- The FED was conceived in 1910 by a conspiracy of U.S. and foreign bankers to control the U.S. currency and economy in violation of the U.S. Constitution.

- The Federal Reserve Act and the Sixteenth Amendment to the U.S. Constitution (Federal Income Tax) were both enacted into law in 1913 to carry out the bankers’ conspiracy.

- Billions of U.S. dollars of U.S. income tax proceeds are paid to the FED each year as interest by the U.S. Treasury on promissory notes issued for currency (as loans) which is fiat money, without any real intrinsic value; it’s just a piece of paper.

- The FED has no capital or assets contributed by its shareholders which would justify its claimed position as a lender.

- These payments are tantamount to a continuous and surreptitious theft of U.S. taxpayer assets.

# Introduction

This book has been written to alert American taxpayers to one of the most insidious scams (frauds) ever perpetrated in recorded history. Henry Ford, early in the last century recognized the problem when he said that **"It is well enough that 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."**

This scam is a "Ponzi" scheme known as central banking, which was originated in Europe by the Rothschild family. In this scheme a private central bank is chartered as the nation's primary bank and lends to the national government. It lends the central bank's own notes (paper money) which the government swaps for bonds (its promise to pay) and circulates as a national currency. The government's debt to the central bank is never paid, as the principal is usually rolled over, with payment of interest. Of course, the central bank's notes have no commercial value to support the interest payment.

Attempts at central banking failed three times in the U.S. during the 19$^{th}$ century. Then in 1910, J.P. Morgan the most trusted and distinguished banker in America, conspired with other bankers in America and Europe to create a cartel which would monopolize the control of currency, banking and the economy in the U.S. By 1913, Congress took action by enacting the Federal Reserve Act, relying in great measure on the integrity of J.P. Morgan. On December 23, 1913, President Wilson signed it into law. Only one senator knew that Morgan was actually a double agent representing Kuhn, Loeb & Co., a major German investment banking firm; and President Wilson later said, "I have [by signing the Federal Reserve Act] unwittingly ruined my country."

The Federal income tax (which also became law in 1913) was necessary to ensure that the banking cartel would never operate at a loss. Over many years members of Congress have steadfastly sought to undo this major fraud, but the FED has withstood these attacks because no one has been able to put forth a workable plan.

Thomas Jefferson's words, spoken in 1802, have become all too prophetic: "I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around the banks will deprive the people of all property until their children wake up homeless on the continent their fathers conquered." This treatise will present the evidence that President Jefferson's worst fears have been become reality. After digesting what follows, please, please, **WAKE UP AMERICA!**

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# PART ONE

# The Origin of Central Banking and Its Pitfalls

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## “Fractional Reserve” Banking

In order to understand the almost limitless power of the FED and its chairman, we must review how central banking came into existence and the role played by the goldsmiths in creating what is now known as “fractional reserve” banking.

The Rothschilds, originally from Germany, were the preeminent goldsmiths whom, among other activities, acted as a depository for gold and other precious metals. They used their client’s assets to make loans to third parties, usually with the client’s consent, always mindful of their godfather’s famous line; **"Give me control of a nation's money and I care not who makes the laws."** The five Rothschild sons were strategically placed by their father in the major European countries, including England. Son Baron Nathan Mayer Rothschild, following the family tradition in England, was later quoted as saying “**I care not what puppet is placed on the throne of England to rule the Empire ... The man that controls Britain's money supply controls the British Empire. And I control the money supply."**

As a result the Rothschilds were among the prime movers in the development of Central Banks, and fractional reserve banking.

Trade in seventeenth century Europe was conducted primarily with gold and silver coins. Coins were durable and had value in themselves, but they were hard to transport in bulk and could be stolen if not kept under lock and key. Many people therefore deposited their coins with the goldsmiths, who had the strongest safes in town. The goldsmiths issued convenient paper receipts that in time came to be traded in place of bulkier coins they represented. These receipts were also used when people who needed coins came to the goldsmiths for loans.

The mischief began when the goldsmiths realized that only about 10 to 20 percent of their receipts came back to be redeemed in gold at any one time. They then decided they could safely “lend” the gold in their strongboxes at interest, several times over, as long as they kept 10 to 20 percent of the value of their outstanding loans in gold to meet the demand. They thus created “paper money” (receipts for loans of gold) worth several times the gold they actually held. These receipts were then made payable to the bearer rather than the depositor making it easily transferable without the need for any signature; this also broke any tie to an identifiable deposit of gold. They typically issued notes and made loans in amounts that were four to five times their actual supply of gold. At an interest rate of 20 percent, the same gold lent five times over produced a 100 percent return every year—this on gold the goldsmiths did not actually own and could not legally lend at all! If they were careful not to overextend this "credit," the goldsmiths could thus become quite wealthy without producing anything of value themselves.

This was the birth of the system we know today as Fractional Reserve Banking, and like this system of today, this meant the goldsmiths were able to make astronomical amounts of money by loaning out what were essentially fraudulent receipts, as they were for gold the goldsmiths didn't even possess. As they gradually got more confident they would loan out up to 10 times the amount they had in their deposits.

To simplify how they made money on this, consider an example in which a goldsmith pays and charges the same rate of interest to creditors and debtors. In this example a goldsmith would pay interest of 8% on gold you had deposited with them, and then charge 8% interest on money, I mean fraudulent receipts, borrowed from them. As they would lend out ten times what you had deposited with them, their cost is paying you 8% interest, whilst they are receiving income of 80% interest. This is on **your** gold!

The goldsmiths also discovered that their control of this fraudulent money supply gave them control over the economy and the assets of the people. They exacted their control by "rowing" the economy between easy money and tight money. The way they did this was to make money easy to borrow and therefore increase the amount of money in circulation, then suddenly tighten the money supply, taking it out of circulation by making loans more difficult to get, or stop the offering of them altogether.

Why did they do this? Because the result would be that a certain percentage of the people would be unable to repay their previous loans; and, not having the facility to take out new ones, those people would go bankrupt and be forced to sell their assets to the goldsmiths for literally pennies on the dollar.

The Bank of England has been called "the Mother of Central Banks." It was chartered in 1694. A circular distributed to attract subscribers to the Bank's initial stock offering said, "The Bank hath benefit of interest on all moneys which it, the Bank, creates out of nothing." The negotiation of additional loans caused England's national debt to go from 1.2 million pounds in 1694 to 16 million pounds in 1698. By 1815, the debt was up to 885 million pounds, largely due to the compounding of interest. The lenders not only reaped huge profits, they obtained substantial political leverage from the indebtetness.

The Bank's charter gave the force of law to the "fractional reserve" banking scheme that put control of the country's money in a privately owned company. The Bank of England had the legal right to create paper money out of nothing and lend it to the government at interest. The Bank of England had agreed to loan the government as much of the new currency as it wanted, so long as the debt was secured by direct taxation of the British people. Thus, it amounted to nothing less than legal counterfeiting of a national currency for private gain. The Bank of England did this by trading its own paper notes for paper bonds representing the government's promise to pay principal and interest back to the Bank—the same device used today by the U.S. Federal Reserve and other central banks.[1]

## II

## Fiat Money in the Colonies

As commerce developed in the colonies it was necessary to use fiat money [colonial script] which is paper money without the backing of precious metals, which were scarce on the East Coast.

Money and banking prior to the Revolution were controlled by the Bank of England, which prevailed on the British Parliament in 1764 to require all colonial taxes be paid in gold or silver coin. As a result, control of America's money supply changed hands eight times in the following 12 years.

There was a period however, just prior to the Revolution when the Bank of England forced the colonists to abandon fiat money, and the economy stabilized. With the advent of the Revolution fiat money returned, bringing chaos with it.

In drafting the Constitution the Founding Fathers specifically addressed the problem of fiat money by reserving unto Congress the power "To coin money, regulate the value thereof, and of foreign coin," to borrow money on the credit of the United States, and to provide for the punishment of counterfeiting the securities and current coin of the United States.

The Constitution prohibits both the states and the federal government from issuing fiat money. This was done with deliberate intent by the Founding Fathers, who had bitter experience with fiat money before and especially during the Revolutionary War. In response to the need to have a precisely defined national monetary unit, Congress adopted the Spanish dollar then currently in use, and defined the content of that dollar to be 371.25 grains of pure silver. With the establishment of a federal mint, American silver dollars were issued in accordance with that standard, and gold *Eagles* also were produced which were then equal in value to ten silver dollars.

Most importantly, free coinage was established wherein Americans were able to convert their raw silver and gold into national coins officially certified by the government as to their intrinsic value. The product of these measures was a period of sound money and great economic prosperity, a period that would come to an end only when the next generation of Americans forgot to read their history and returned to the use of paper money and “bills of credit.”[2]

## III

## Central Banking Arrives in America

In the period between 1694 and 1798 the Rothschilds established control of the Bank of England, which became the preeminent central bank in Europe.

Until the Revolution the colonists were forced to depend in great measure on the Bank of England and were led to believe that central banking was a necessity.

America had its first central bank before the Constitution was drafted. It was called the Bank of North America and was chartered by the Continental Congress in 1781. Closely modeled by Robert Morris and Alexander Hamilton after the Bank of England, it was authorized to issue more paper promissory notes than it held in deposits. In the beginning, these notes were widely circulated and served as a national currency. Although the bank was essentially a private institution, it was designed for the purpose of creating money to lend to the federal government, which it did from the start.

The Bank of North America was riddled with fraud, and soon fell into political disfavor. Its inflated bank notes eventually were rejected by ordinary citizens and ceased to circulate outside of the Bank's home city of Philadelphia. Its charter was allowed to expire and, in 1783, it was converted into a purely commercial bank chartered by the state of Pennsylvania.

The advocates of fiat money however, did not give up. In 1791, Alexander Hamilton, by then the U.S. Secretary of the Treasury, proposed to Congress the First Bank of the United States (America's *second* central bank). As created by Congress, with a 20 year charter, the new bank was a replica of the first, including fraud. Private investors in the Bank were among the nation's most wealthy and influential citizens, including some Congressmen and Senators. But, the largest investment and the most powerful influence in the new Bank came from the Rothschilds in Europe.

The Bank set about immediately to serve its function of creating money for the government. This led to a massive inflation of the money supply and rising prices. In the first five years, 42% of everything people has saved in the form of money was confiscated through the hidden tax called inflation. This was the same phenomenon that had plagued the colonies less than two decades earlier, but instead of being caused by printing-press money, it was now fueled by fractional-reserve bank notes created by a central bank.

As the time for renewal of the Bank's charter approached, two groups with opposite intentions became strange political allies against it: the Jeffersonians who wanted sound money; and the frontier banks, called wildcatters, who sought unlimited license to steal. On January 24, 1811, the charter was defeated by one vote in the Senate and one in the House. The central bank was gone, but the wildcatters were everywhere.[3]

Like German Hanoverian kings, the Rothschild banking empire was British only in the sense that it had been in England for a long time. Its roots were actually in Germany. The House of Rothschild was founded in Frankfurt in the mid-eighteenth century, when a moneylender named Mayer Amschel Bauer changed his name to Amschel Rothschild and fathered ten children. His five sons were sent to major capitals of Europe to open branches of the family banking business. Nathan, the most astute of these sons, went to London, where he opened the family branch called N.M. Rothschild & Sons. Nathan's brothers managed N.M. Rothschild's branches in Paris, Vienna, Berlin, and Naples.

In 1811, when the U.S. Congress declined to renew the charter of the first U.S. Bank, Nathan Rothschild already possessed substantial political clout in England and was lending money to the U.S. government and certain states. "Either the application for renewal of the Charter is granted," he is reported to have threatened, "or the United States will find itself in a most disastrous war." When the charter was not granted, the United States did find itself in another war with England, the War of 1812, financed by the Rothschilds.

War again led to inflation and heavy government debt. In just three short years, domestic prices rose by 25% and import prices by 70%. By December 1814, the British, having decided that Napoleon was more interesting to fight than America, signed the treaty that ended the War of 1812. This outbreak of peace was accompanied by an upswing in trade between the two nations' businessmen. Imports, which stood at $12.9 million in 1814, reached $151 million within two years, and this during a period when imported goods, freed from the wartime risk of getting deliberately sunk in transit, were rapidly falling in price.[4] An orgy of consumption followed and we were importing far more than we were exporting. In addition, "the sudden availability of vast new reaches of territory, combined with the loose money left over from the war"[5] ignited a real-estate mania in America, particularly along the young nation's frontier areas. Illinois, overrun with fevered buyers, was the epicenter, with Ohio not too far behind. Cincinnati laid claim to being the Las Vegas of the mania, and, according to one historian, most of it was subsequently repossessed.

Although England continued at war with Napoleon, the outcome of that war had been predetermined. Bankers however, do not like to take any sort of risk; therefore, Nathan Rothschild sent a trusted courier named Rothworth to Waterloo where he stayed on the edge of the battlefield. Once the battle was decided, Rothworth took off for the Channel, and delivered the news of Wellington’s victory to Nathan Rothschild a full 24 hours before Wellington’s own courier.

Nathan Rothschild immediately hurried to the London Stock Market and stood in his usual position. All eyes were on him as Rothschild had a legendary communications network. Rothschild stood there looking forlorn and suddenly started selling. The other traders believed that this meant he had heard that Napoleon had won so they all started selling frantically.

The market subsequently plummeted, and soon everyone was selling their British Government Bonds, but then Rothschild secretly started buying them all up through his agents on the floor, for a fraction of what they were worth just hours before. A lot of these bonds were able to be converted to Bank of England stock, which is how Rothschild secured control of the Bank of England and the British money supply.

As 1815 came to a close, the proliferation of paper bank notes and credit had the financial system of the United States in a mess — a direct result of the political establishment deliberately allowing the state banks to counterfeit with impunity. Finally, seeing the orgy of speculation, stockjobbing, and pursuit of luxury imports that their policies had created, Congress stepped in to clean up the mess.

Amidst much hypocrisy, backroom dealing, bribery, threats, and displays of great oratorical skill, they proposed for themselves more money and power: another central bank, America's third go at the institution. The new Bank of the United States, with a twenty-year charter was grudgingly signed into law by President James Madison in 1816. It authorized the Bank and its branches to issue the nation’s money in the form of bank notes, again shifting the power to create the national money supply into private hands.

The new Bank of the United States was up and running by 1816, with the ostensible purpose of bringing the state banks' severe inflation to heel. Instead, the men who ran the new central bank promised not to demand redemption of any state bank paper notes until over one year later; and, they bailed out the insolvent state banks with $6 million in taxpayer money.

To add injury to insult, the men who ran the central bank "jumped on the inflationary bandwagon" themselves, printing paper and promises with abandon.[6] Within two years of its creation they had loaned $41 million worth of gold promises and issued paper bank notes redeemable in gold worth $23 million, all on top of just $2.5 million worth of gold.[7]

"Flood[ing] the market with bank notes it could not now redeem"[8] between 1816 and 1818, the supply of paper bank notes and credit on the US market grew by 40.7%, "most of it supplied by the Bank of the United States".[9] The Philadelphia and Baltimore branches of the bank would prove to be the most profligate — and the most corrupt — of all.

The economic dislocations gained steam throughout 1816 and, 1817, and prices in real estate, land, and slaves floated upward on credit. As 1818 feverishly arrived, though, it was only the greatest of the fools who were buying. The music would soon come to an end since the postwar prosperity was built on a foundation of nothing more than pieces of paper with promises scribbled on them. In the actual vaults, there was precious little money, in the form of pledged gold at all.

When it was ultimately realized that many paper bank notes were just that, their values began to collapse, many to zero (the same amount of gold you could get for it), and the money supply contracted at a ferocious rate. From the fall of 1818 to the beginning of 1819, demand liabilities at the central bank fell dramatically. Insolvent banks and overextended debtors alike collapsed, while prices, no longer pumped up by the bubble, raced downward to their equilibrium; the panic of 1819 ensued and Americans were introduced to a new experience — mass unemployment. The politicians basically did nothing to assist the economy to recover. In spite of this however, by 1821 the economy was returning to some sense of normalcy.

In 1832, Andrew Jackson, a hero of the War of 1812, affectionately known as "Old Hickory" faced the dilemma of the renewal of the "Second U.S. Bank" which President Madison had been forced to authorize. It was election year and Jackson had to face two capable opponents: Henry Clay, the opposing candidate; and Nicholas Biddle, President of the Second U.S. Bank to which the young country was indebted. Congress passed the Bank Renewal Bill which Jackson promptly vetoed.

Jackson succeeded in vetoing the bill, but he knew that his battle with the Bank was just beginning. "The hydra of corruption is only scotched, not dead," he exclaimed. Boldly taking the hydra by the horns, he ordered his new Treasury Secretary to start transferring the government's deposits from the Second U.S. Bank into state banks. When the Secretary refused, Jackson fired him and appointed another. When that Secretary refused, Jackson appointed a third. When the third secretary proceeded to do as he was told, Jackson was triumphant. "I have it chained," he said of the banking monster. "I am ready with screws to draw every tooth and then the stumps." But Biddle and his Bank were indeed only scotched, not dead. Biddle used his influence to get the Senate to reject the new Secretary's nomination. Then he threatened to cause a national depression if the Bank were not re-chartered; Biddle **openly declared(!):** *Nothing but widespread suffering will produce any effect on Congress.*…Our only safety is in pursuing a steady course of firm [monetary] restriction – and I have no doubt that such a course will ultimately lead to restoration of the currency and the re-charter of the Bank.

Biddle proceeded to make good on his threat by sharply contracting the money supply. Old loans were called in and new ones were refused. A financial panic ensued, followed by a deep economic depression. Biddle blamed it all on Jackson, and the newspapers picked up the charge. Jackson was officially censured by a Senate resolution. The tide turned, however, when the Governor of Pennsylvania (where the Bank was located) came out in support of the President and strongly critical of the Bank; and Biddle was caught boasting in public about the Bank's plan to crash the economy. In April 1834, the House of Representatives voted 134 to 82 against re-chartering the Bank, and a special committee was established to investigate whether it had caused the crash.

In January 1835, in what may have been his finest hour, Jackson paid off the final installment on the national debt. He had succeeded in doing something that had never been done before and has not been done since: he reduced the national debt to zero and accumulated a surplus. That same year an assassin failed in his attempt to kill President Jackson who would later claim that he knew the Rothschilds were responsible. The assassin, Richard Lawrence, later bragged that “powerful people in Europe had hired him and promised to protect him if caught.” The following year, the charter for the Second Bank of the United States expired; and Biddle was later arrested and charged with fraud. He was tried and acquitted, but died while still tied up in civil suits.[10]

## IV

## Abraham Lincoln Assumes Command

President Lincoln's backwoods background was similar to Andrew Jackson. However, he was faced with a country which had no national currency. As a result of Jackson's victory over Nicholas Biddle, the national bank was defunct and the supporting cast of European bankers had temporarily fled. Existing local banks printed their own notes, without assets to back them, and many were forced to close because they were unable to redeem their notes.

One month after his inauguration in 1861, South Carolina seceded from the Union and the North. President Lincoln was immediately faced with needing money for the coming war although bankers would only lend it for extortionate rates of 24 to 36 percent. Lincoln knew this would bankrupt the country and asked a colleague for research and advice. Colonel Dick Taylor reported to his friend that the Union had the power under the Constitution to solve the problem by printing its own money as a sovereign. His counsel was:

> "Just get Congress to pass a bill authorizing the printing of full legal tender treasury

> notes…and pay your soldiers with them and go ahead and win your war with them also. If you make them full legal tender … they will have the full sanction of the government and be just as good as any money, as Congress is given that express right by the Constitution."

The Greenbacks were as legitimate as any other banknote with the added support of being "backed" by gold, although only on a fractional basis.

Lincoln was able to restore financial credibility by utilizing the Treasury of the U.S. Government to issue a Constitutional currency. Over a four year period Lincoln's achievements were astonishing. His government raised and outfitted the largest army in the world; overcame the intervention of British financiers; expanded rail and water systems for commercial trade; and, freed approximately four million slaves. In fact, President Lincoln would be the last President to issue debt free United States notes; and on this subject he stated:

> *"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 consumers. The privilege of creating and issuing money is not only the supreme prerogative of Government, but it is in the Government's greatest creative opportunity. By the adoption of these principles...the taxpayers will be saved immense sums of interest. Money will cease to be master and become the servant of humanity."*

Commerce was substantially improved when Lincoln authorized the government to issue its own fiat money, which increased the government's ability to undertake necessary public projects and eased credit for commerce. This became known as the Greenback system since money was printed on green papers.

The Greenback system supported Lincoln's program of domestic development by providing a much-needed *national* paper money supply. After Jackson had closed the central bank, the only paper money in circulation was the banknotes issued privately by individual state banks; and they were basically just private promises to pay later in hard currency (gold or silver). The Greenbacks, on the other hand, *were* currency. They were "legal tender" in themselves, money that did not have to be repaid later but was "as good as gold" in trade. Like metal coins, the Greenbacks were permanent money that could continue to circulate in their own right. The Legal Tender Acts of 1862 and 1863 made all the "coins and currency" issued by the U.S. Government "legal tender for all debts, public and private." Government-issued paper notes were made a legal substitute for gold and silver, even for the payment of pre-existing debts.[11]

The Greenback system was of great benefit to the entire Country, except the Wall Street bankers and their European associates. So the bankers struck back, and the need for Congressional approval to issue more Greenbacks forced President Lincoln to allow the bankers to push their new banking Act.

The National Banking Act was proposed in 1863 under the guise of establishing safeguards for a new national banking system. In fact, the National Banking Act authorized the bankers to issue and lend their own paper money. It had the effect of returning control of currency into the hands of the bankers, similar to the relationship between the U.S. Government and the Federal Reserve System.

Although Lincoln had succeeded in restoring the government's right to issue its own national money, that policy continued to be vigorously opposed by the "rich warriors." A London Times editorial in 1865 provided:

> "If that mischievous financial policy which had its origin in the North American Republic during the late war in that country, should become indurate down to a fixture, then that Government will furnish its own money without cost. It will pay off its debts and be without debt. It will become prosperous beyond precedent in the history of the civilized governments of the world. The brains and wealth of all countries will go to North America. That government must be destroyed or it will destroy every monarchy on the globe."

The US government got what it needed at the time—a loan of substantial sums for the war effort and a sound circulating currency for an expanding economy—but the banks became the real winners. They not only got to collect interest on money of which they still had the use of, but they also got powerful leverage over the government as its creditors. The Act that was supposed to regulate the bankers wound up chartering not one but a whole series of private banks, which all had the power to create the currency of the nation.[12]

41 days after his second inauguration and five days after Lee's surrender at Appomattox, President Lincoln was shot and later died. 70 years later before the Canadian House of Commons, a Canadian attorney, Gerald G. McGeer, gave a speech in which he stated:

> *"Abraham Lincoln, the murdered emancipator of the slaves, was assassinated through the machinations of a group representative of the International Bankers, who feared the United States President's National Credit ambitions. There was only one group in the world at that time who had any reason to desire the death of Lincoln. They were the men*

*opposed to his national currency program and who had fought him throughout the whole Civil War on his policy of Greenback currency."*

By 1875, Jacob Schiff, by then Solomon Loeb's son-in-law, takes control of the banking house, Kuhn, Loeb & Co. He goes on to finance John D. Rockefeller's Standard Oil Company, Edward R. Harriman's railroad Empire, and Andrew Carnegie's Steel Empire; this is all accomplished with Rothschild money.

He then identifies the other largest bankers in America at that time. They are, J.P. Morgan who controls Wall Street, and the Drexels and the Biddles of Philadelphia. Schiff then gets the European Rothschilds to set up European branches of these three large banks on the understanding that Schiff, and thus Rothschild, is to be the boss of banking in New York, and therefore America.

N. M. Rothschild & Sons undertake to raise capital for the first channel tunnel project to link France to England, with half of its capital coming from Rothschild owned Compagnie du Chemin de Fer du Nord. Then, Lionel De Rothschild loans Prime Minister Benjamin Disreli the finance for the British government to purchase the shares in the Suez Canal, from Khedive Said of Egypt. This, because the Rothschilds needed this access route to be held by a government they controlled, so they could use that government's military to protect their huge business interests in the Middle East.

Within a year following, Otto Von Bismarck, Chancellor of the German Empire, states,

> "The division of the United States into two federations of equal force was decided long before the civil war by the high financial power of Europe. These bankers were afraid that the United States, if they remained in one block and as one nation, would attain economical and financial independence, which would upset their financial domination over the world."

During this period after Lincoln's assassination the Banksters combated the positive effect of Greenbacks by convincing Congress to pass legislation forcing contraction of the money supply to less than one-fourth of its prior amount; and, to pass the Coinage Act which made silver a non-money metal.

These Acts caused severe economic consequences which did not begin to ameliorate until Congress again allowed minting of silver dollars in 1878.

In 1881, James Garfield became President. He also boldly took a stand against the bankers following his inauguration charging:

> "Whosoever controls the volume of money in any country is the 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."

President Garfield too was murdered not long after releasing this statement, less than four months into his presidency.[13]

# V

## The Robber Barons

Banking for the average American, especially farmers, became a nightmare in the latter part of the nineteenth century. Private bankers had managed to restore the gold standard which in turn made credit difficult to obtain. Since much of the country consisted of family farms, with mortgages, farmers were always subject to credit problems and foreclosure when their crop harvest was adversely affected by weather or price fluctuation; there was no means of obtaining relief once the bank foreclosed on the mortgage.

During this same period the “industrial revolution” began, with gasoline engines and electric power. Unscrupulous men, often utilizing privately held banks which they controlled, made it a practice of taking financial advantage of every distressed business, as well as acquiring foreclosed farm land.

Some of those men are well identified in American history. To name a few names: the Harriman’s controlled transcontinental rail travel and freight with Union Pacific, Central Pacific and Southern Pacific railroads; Andrew Mellon controlled steel production; John D. Rockefeller controlled oil and gas production; and J.P. Morgan was considered America's leading banker after he fathered the financing of U.S. Steel which became America's first billion dollar corporation.

Mansions along the Hudson River, just north of Manhattan Island, give silent testimony to the wealth of those men who were called the "Robber Barons." During all of the above period the Rothschild family controlled banking in Europe, and was seeking a way to extend its financial power to America. It found it by again recognizing the civil war which always raged between *rich and poor.* In the days of Kings, Queens, and Emperors, that "war" was out in the open. As the war continued, the rich had observed the "kings, queens, and emperors;" and the rich had learned. They realized that the only successful means of getting the poor [others] to willingly wear their yokes would be to "deceive them into believing those yokes don't exist."

As we will see, a "yoke of debt" is wholly superior to the chains of slavery and has since proven so successful that the masses have willingly embraced their debt-yokes, and have steadily endeavored to increase their scope. Nothing in history has increased the bankers' grip over the masses so much as revolving debt.

In 1892 at a meeting of the “rich warriors” the "Bankers Manifesto" was written, more or less as a statement of the Rothschild credo to be followed by all their warriors. It was later revealed by **US Congressman** Charles A. Lindbergh, Sr. from Minnesota on the floor of the US Congress sometime during his term of office between the years of 1907 and 1917 as a warning to US citizens:

**"The Bankers Manifesto of 1892"**

> ""**We [the bankers]** must proceed with caution and guard every move made, **<u>for the lower order of people are already showing signs of restless commotion</u>** [that would be *us*]. Prudence will therefore show a policy of apparently yielding to the popular will until our plans are so far consummated that we can declare our designs without fear of any organized resistance [that would be SOON]. The **Farmers Alliance** and Knights of **Labor organizations** in the United States *<u>should be carefully watched by our trusted men</u>*, and **we must take immediate steps to**

**control these organizations in our interest or disrupt them.**

At the coming Omaha Convention to be held July 4th (1892), our men must attend and direct its movement, or else there will be set on foot such antagonism to our designs as may require force to overcome. This at the present time would be premature. We are not yet ready for such a crisis. **Capital must protect itself in every possible manner through combination (conspiracy) and legislation.**

**The courts must be called to our aid, debts must be collected, bonds and mortgages foreclosed as rapidly as possible.**

***When through the process of the law, the common people have lost their homes, they will be more tractable and easily governed through the influence of the strong arm of the government*** applied to a central power of imperial wealth under the control of the leading financiers. *People without homes will not quarrel with their leaders.*

> History repeats itself in regular cycles. **This truth is well known among our principal men who are engaged in forming an imperialism of the world** [that would be SENIOR politicians]**.** *While they are doing this, the people must be kept in a state of political antagonism.*
>
> *The question of tariff reform must be urged through the organization known as the Democratic Party, and the question of protection with the reciprocity must be forced to view through the Republican Party.*
>
> **By thus dividing voters**, <u>*we can get them to expand their energies in fighting over questions of no importance*</u> to us, except as teachers to the common herd. **Thus, by discrete action, we can secure all that has been so generously planned and successfully accomplished**."

By 1907 there was a banking panic which threatened to destroy the banking industry in America. Rothschild's Jacob Schiff had also surfaced telling the New York Chamber of Commerce:

"Unless we have a central bank with adequate control of credit resources, this country is going to undergo the most severe and far reaching money panic in its history."

Many interpreted this as an out and out threat. The U.S. Government in response, requested J.P. Morgan to take the lead in restoring order.

American banking was then, as it is now, controlled by New York bankers. Morgan invited all the chief executives of the major New York banks to his mansion in Manhattan, closed the doors, and insisted that no one leave until a solution was reached. The meeting was a success and Morgan was later publicly thanked by Congress and leading newspapers for his accomplishment.

# Part Two

# The Grand Conspiracy

# Creation of the Federal Reserve System

## VI

## The Machiavellian Maneuvers Between 1907 and 1913

Having resolved the Panic of 1907, Morgan gained public stature like no other banker in U.S. history; by 1910 he had become a national hero.

Competition among banks still existed and was proving counterproductive. Competition between Morgan controlled banks, the Rockefeller factions and Rothschild's American banking interests were at a point where a common plan was needed.

Morgan proposed a plan, without revealing the he was actually acting in a dual capacity, representing his own interests and those of Kuhn, Loeb, the German investment banking firm controlled by the Rothschilds.

The basic plan for the Federal Reserve System was drafted at a secret meeting held in November of 1910 at Morgan's private resort on Jekyll Island off the coast of Georgia. Those who attended represented the great financial institutions of Wall Street indirectly; Europe as well. The reason for secrecy was simple. Had it been known that rival factions of the banking community had joined together, the public would have been alerted to the possibility that the bankers were plotting an agreement in restraint of trade—which, of course, is exactly what they were doing. What emerged was a cartel agreement with five objectives:

- stop the growing competition from the nation's newer banks;
- obtain a franchise to create money out of nothing for the purpose of lending;
- get control of the reserves of all banks so that the more reckless ones would not be exposed to currency drains and bank runs;
- get the taxpayer to pick up the cartel's inevitable losses; and
- convince Congress that the purpose was to protect the public.

It was realized the bankers would have to become partners with the politicians and that the structure of the cartel would have to be in the form of a central bank. The record shows that the Fed has failed to achieve its stated legal objectives. That is because those were never its true goals. As a banking cartel, and in terms of the five objectives stated above, it has been an unqualified success. [14]

In essence the banking cartel to be created would be the product of the grandest conspiracy in the history of America and the worst financial burden ever imposed on Americans. Three hurdles had to be overcome:

- A president who would sign the new Bill into law;
- Opposition in Congress; and
- A means to guarantee a stream of income to the cartel from the America public.

Utilizing the influence which was a by-product of his professional stature, Morgan succeeded in accomplishing the following:

**First,** he lured Teddy Roosevelt into coming out of political retirement, and running again for President on the "Bull Moose" ticket in the 1912 elections. This split the Republican vote, and Woodrow Wilson was elected on the Democratic ticket. Morgan was well aware of Wilson's peculiar foibles as President of Princeton University and Governor of New Jersey, and felt certain that Wilson could be manipulated. Wilson was surrounded by Morgan men, in particular Colonel Edward M. House who Wilson referred to as his "alter ego." After the Inauguration, Colonel House became a permanent resident of the White House.

**Second**, the first version of the new Bill to be passed was named after Senator Aldrich who was Morgan's principal ally in Congress. In order to pass muster in Congress, Aldrich had to satisfy William Jennings Bryan. The name was then changed to the Federal Reserve Act, Bryan was pacified without actually understanding it, and the bill passed. Apparently the words *Federal Reserve System* connoted a false sense of security to the members of Congress.

President Wilson signed it into law on December 23, 1913. Before he died, he is reported to have said: "I have unwittingly ruined my country. A great industrial nation is controlled by its system of credit. Our system of credit is concentrated 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 world . . . no longer a government of free opinion, no longer a government by conviction and vote of the majority, but a government by opinion and duress of small groups of dominant men."

The Federal Reserve Act of 1913 was a major coup for the international bankers. They had battled for more than a century to establish a **private central bank** with the exclusive right to "monetize" the government's debt (that is, to print their own money and exchange it for government securities or I.O,U.s). The Act's preamble said that its purposes were “to provide for the establishment of Federal Reserve Banks, to furnish an elastic currency, to afford a means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes." It was the beginning of “Fedspeak,” abstract economic language that shrouded the issues in obscurity. "Elastic currency" is credit that can be expanded (and contracted) at will by the banks. "Rediscounting" is a technique by which banks are allowed to magically multiply funds by re-lending them without waiting for outstanding loans to mature. In plain English, the Federal Reserve Act authorized a **private central bank** to create money out of nothing, lend it to the government at interest, and control the national money supply, expanding or contracting it at will. Representative Charles A. Lindbergh, Sr. called the Act “the worst legislative crime of the ages." He warned:

> “[The Federal Reserve Board] can cause

> the pendulum of a rising and falling market to swing gently back and forth by slight changes in the discount rate, or cause violent fluctuations by greater rate variation, and in either case it will possess inside information as to financial conditions and advance knowledge of the coming change, either up or down. This is the strangest, most dangerous advantage ever placed in the hands of a special privilege class by any Government that ever existed....*The financial system has been turned over to...a purely profiteering group. The system is private, conducted for the sole purpose of obtaining the greatest possible profits from the use of other people's money."*

In 1934, in the throes of the Great Depression, Representative Louis McFadden (who was the subject of several attempted assassinations, as well) would go further, stating on the

Congressional record:

"Some people think that the Federal Reserve Banks are United States Government institutions. **They are private monopolies which prey upon the people of these United States for the benefit of themselves and their foreign customers; foreign and domestic speculators and swindlers; and rich and predatory money lenders.** In that dark crew of financial pirates there are those who would cut a man's throat to get a dollar out of his pocket; there are those who send money into states to buy votes to control our legislatures; there are those who maintain International propaganda for the purpose of deceiving us into granting of new concessions which will permit them to cover up their past misdeeds and set again in motion their gigantic train of crime.

**These twelve private credit monopolies were deceitfully and disloyally foisted upon this Country by the bankers who came here from Europe and repaid us our hospitality by undermining our American institutions."[15]**

**Third**, the final nail in the America coffin was also hammered into place in 1913 when a misinformed Congress and public approved the Sixteenth Amendment to the U.S. Constitution and installed a Federal Income Tax. This was done to satisfy the greed of the banking cartel which would then earn interest on fictitious loans to the U.S. Government.

The income tax was fundamental to the bankers' plan since the Federal Reserve was a system to run up, essentially, an unlimited Federal debt. The only viable way to guarantee payment of interest on the debt was to directly tax the people. In fact, the income tax would serve as the guaranteed stream of income originally sought by the cartel.

## VII

## What is the Federal Reserve System? (the "Fed")

When the cartel's plan was presented to Congress the reality of it as a "central bank" had to be disguised. The word "Federal" was adopted to make it appear to be a Federal Agency, part of the Federal Government. "Reserve" was selected to make it appear financially sound. "System" was an innocuous word which would further disguise the concept of a central bank.

In fact the "Fed" is comprised of 12 privately owned corporations authorized by the Federal Reserve Act in 1913, which report only to undisclosed shareholders; and are not directly subject to the authority of any state or Federal Agency.

A chairman, appointed by the President and approved by Congress has ostensible supervisory control, with an advisory board, known as the Federal Reserve Board, which is a Federal Agency. Only three men have held the position of chairman during the past thirty years: Paul Volker, Alan Greenspan, and Professor Ben Bernanke.

The Fed functions through Federal Reserve Banks, located in twelve Districts throughout the Country. Since banking is controlled from New York City, it is logical that the Federal Reserve Bank in New York is preeminent among all twelve.

The Fed controls: various rates of interest, the availability of credit; the issuance and circulation of currency; and loans by the Federal Reserve banks to the U.S. banking industry.

In today's global financial world, action by the Fed has a considerable effect on banking throughout the world. The bottom line effect of the Fed's action is either a healthy economy, or, inflation, recession and depression.

As an example, some well known authors and economists opine that the Great Depression of the 1930s was caused by loose credit and insufficient production of goods. During the 1920s the American public did in fact become over extended on purchase of luxury goods and securities on margin until the bubble burst in 1929.

Most politicians from its inception, either did not comprehend the damage to the public which would be generated through the Fed, or they did not care. One man from Texas cared a great deal: Wright Patman, who was elected to Congress in 1928.

Patman spent nearly fifty years barking at the wicked institutions he thought were out to get the farmers and small businessmen of his Texas constituency. They included big business, chain stores, tax-exempt foundations and—most wicked of all— the Federal Reserve Board, whose restrictive monetary policies he felt placed the interests of Wall Street above those of Main Street.

Patman was re-elected 24 times. He served as Chairman of the House Banking and Currency Committee from 1963 to 1975, and in Congress until his death in 1976. He was called an "economic Populist." He inspired a major protest march on Washington in 1932, the march of unemployed World War I veterans petitioning for the "Bonus Bill" he wrote. Patman was the first to call for the investigation not only of Penn Central (1970) but of Watergate (1972). One reviewer described him as: "… a cranky eccentric, out of place in the increasingly slick and polished world of Washington politics. But therein lay his significance.…He used his outsider status to force onto the national agenda issues that few politicians cared or dared to raise."

In his role as Chairman of the House Banking and Currency Committee, Patman penetrated the official Fedspeak to expose what was really going on. After a probing investigation of the Federal Reserve, he charged:

> “The Open Market Committee of the Federal Reserve System...has the power to obtain, and does obtain, the printed money of the United States -- Federal Reserve Notes -- from the Bureau of Engraving and Printing, and exchanges these printed notes, which of course are not interest bearing, for United States government obligations that are interest bearing. After making the exchange, the interest bearing obligations are retained by the 12 Federal Reserve banks and the interest collected annually on these government obligations goes into the funds of the 12 Federal Reserve banks....These funds are expended by the system without any adequate accounting to the Congress.”

The Open Market Committee was the group formed in 1934 to take charge of "open market operations," the Fed's buying and selling of government securities (the bills, bonds and notes by which the government borrows money). Then as now, the Open Market committee acquired Federal Reserve Notes from the Federal Bureau of Engraving and Printing, essentially for the cost of printing them. The average cost today is about 4 cents per bill (the denomination of the bill is of no importance). In deft card-shark fashion, these dollar bills are then swapped for an equivalent stack of notes labeled Treasury securities. Turning Treasury securities (or debt) into "money" (Federal Reserve Notes) is called "monetizing" the debt. The government owes this money back to the Fed, although the Fed has advanced nothing but printed paper to earn it. In a revealing treatise called A Primer on Money, Patman concluded:

> *"The Federal Reserve is a total moneymaking machine.* It can issue money or checks. And it never has a problem of making its checks good because it can obtain the $5 and $10 bills necessary to cover its check simply by asking the

> Treasury Department's Bureau of Engraving to print them."[16]

Other credible critics have also commented on the fiasco of creating currency of alleged value merely by printing it. Economist John Kenneth Galbraith would later comment, "The process by which banks create money is so simple that the mind is repelled." The mind is repelled because the process is sleight of hand and is completely foreign to what we have been taught. In a phenomenon called "cognitive dissonance," we can read the words and still doubt whether we have read them right. To make sure that we have, then, here is another credible source--

In 1993 National Geographic Magazine published an article[17] by assistant editor Peter White titled *Do Banks Really Create Money Out of Thin Air?* White began by observing that 92 percent of the money supply consists, not of bills or coins, but of checkbook and other non-tangible money. To find out where this money comes from, he asked a Federal Reserve official, who said that every day, the Federal Reserve Bank of New York buys U.S. government securities from major banks and brokerage houses. That's if the Fed wants to expand the money supply. If it wants to contract the money supply, it sells government securities. White wrote:

> “Say today the Fed buys a hundred million dollars in Treasury bills from those big securities dealers, who keep a stock of them to trade with the public. When the Fed pays the dealers, a hundred million dollars will thereby be added to the country’s money supply, because the dealers will be credited that amount by their banks, which now have that much more on deposit. But where did the Fed get that hundred million dollars? “We created it,” a Fed official tells me. He means that anytime the central bank writes a check, so to speak, it creates money. “It's money that didn't exist before,” he says. Is there any limit on that? “No limit. Only the good judgment and the conscience of the responsible Federal Reserve people.” And where did they get this vast authority? “It

> was delegated to them in the Federal Reserve Act of 1913, based on the Constitution, Article I, Section 8. 'Congress shall have the power ... to coin money, regulate the value thereof ....'"[18]

How has the passage of the Federal Reserve Act benefited the bankers, whose representatives met at Jekyll Island? Witness:

1. It has prevented any future banking reform efforts, as the Federal Reserve was to be the only producer of money.
2. This in turn prevented a proper debt free system of government finance, like President Lincoln's Greenbacks, from making a comeback. Instead, the bond based system of government finance, forced on Lincoln after he created Greenbacks, was now cast in stone.
3. It has delegated to the bankers the right to create 90% of our money supply based on a fraudulent system of fractional reserve banking, and allowed them to loan out that 90% at interest.
4. It has centralized overall control of our nation's money supply in the hands of and for the profits of a few men.

5. It has established a private central bank with a high degree of independence from effective political control.

# VIII

## How the Fed Functions;
## How Money is Created from Nothing

The currency created by the Fed out of nothing, is termed "fiat money" since it is created without assets to give it value. The Fed is allowed to do this under the Act because this concept underlies every central bank in major Western countries.

The entire function is to convert debt into "money." First, the Fed takes all the government bonds which the public does not buy and writes a check to Congress in exchange for them. (It acquires other debt obligations as well, but government bonds comprise most of its inventory.) There is no "money" to back up this check. These fiat dollars are created on the spot for that purpose. By calling those bonds "reserves" the Fed then uses them as the base for creating 9 additional dollars for every dollar created for the bonds themselves. The money created for the bonds is spent by the government, whereas the money created on top of those bonds is the source of all the bank loans made to the nation's businesses and individuals. The result of this process is the same as creating money on a printing press, but the illusion is based on an accounting trick rather than a printing trick. The bottom line is that Congress and the banking cartel have entered into a partnership in which the cartel has the privilege of collecting interest on money which it creates out of nothing, a perpetual override on every American dollar that exists in the world; Congress, on the other hand, has access to unlimited funding without having to tell the voters their taxes are being raised through the process of inflation.[19]

# IX

## Damage Sustained by the American Public

Hard earned money from the American public is obtained by the Fed in numerous ways. The most noteworthy are: the Federal income tax, excise tax, and inflation caused by easy credit and an over supply of currency created by the burgeoning public debt.

The total amount of fiat money created by the Federal Reserve and the commercial banks together is approximately ten times the amount of the underlying government debt. To the degree that this newly created money floods into the economy in excess of goods and services, it causes the purchasing power of all money, both old and new, to decline. Prices go up because the relative value of the money has gone down. The result is the same as if that purchasing power had been taken from us in taxes. The reality of this process, therefore, is that it is a hidden tax, up to ten times the national debt.

Without realizing it, Americans have paid over the years, in *addition* to their federal income taxes and excise taxes, a completely hidden tax equal to many times the national debt! And that still is not the end of the process. Since our money supply is purely an arbitrary entity with nothing behind it except debt, its quantity can go down as well as up. When people are going deeper into debt, the nation's money supply expands and prices go up, but when they payoff their debts and refuse to renew, the money supply contracts and prices tumble. That is exactly what happens in times of economic or political uncertainty. This alternation between periods of expansion and contraction of the supply is the major underlying cause of booms and depressions. One example may serve to illustrate what really happens and how it affects people. Paul Warburg, a prominent New York banker, had been earning $500,000/year salary paid by the Rothschild's Kuhn, Loeb and Company since 1910 to lobby for and help ensure establishment of a Central Bank in America. In April, 1929, he sent out a secret warning to his friends that an economic collapse and nationwide depression had been planned for later that year. It is not a coincidence that the biographies of all the Wall Street giants of that era: John D. Rockefeller; J. P. Morgan; Joseph Kennedy; Bernard Baruch; *et. al.* all marveled at the fact these people got out of the stock market **completely** just before the crash and put their assets into cash or gold.

So, as all the bankers and their friends already knew, in August the Federal Reserve began to tighten the money supply. Then on October 24th the big New York bankers called in their 24 hour broker call loans. This meant that both the stockbrokers and their customers had to dump their stocks on the stock market to cover their loans, irrespective of what price they had to sell them for.

As a result of this, the stock market crashed on a day that would go down in history as "Black Thursday." Republican Congressman, Louis T. McFadden, Chairman of the House Banking & Currency Committee, from 1920 to 1931, was as usual quite candid as to who was responsible. He stated of this crash, "It was not accidental. It was a carefully contrived occurrence...The international bankers sought to bring about a condition of despair here so that they might emerge as rulers of us all."

Curtis B. Dall, the son-in-law of Franklin Delano Roosevelt, who was working for Lehmann Brothers as a broker, on the floor of the New York Stock Exchange, on the day of the crash, stated in his 1967 book, F. D. R. <u>My Exploited Father-In-Law</u>, "Actually, it was the calculated 'shearing' of the public by the World-Money powers triggered by the planned sudden shortage of call money in the New York Money Market."

Despite the claims of how the Federal Reserve would protect the country against depressions and inflation, they continued to further contract the money supply. Between 1929 and 1933, they reduced the money supply by an additional 33%. Even Milton Friedman, the Nobel Peace Prize winning economist stated the following in a radio interview in January 1996, "The Federal Reserve definitely caused the Great Depression by contracting the amount of currency in circulation by one-third from 1929 to 1933."

In only a few weeks from the day of the crash, 3 billion dollars of wealth vanished. Within a year, 40 billion dollars of wealth vanished. However, it did not simply disappear, it just ended up consolidated in fewer and fewer hands, as was planned. An example of this is Joseph P. Kennedy, John F. Kennedy's father. In 1929 he was worth 4 million dollars, in 1935 that had increased to over 100 million dollars.

This is why and how depressions are caused. As stated previously, the top bankers and their friends got out of the stock market and purchased gold just before the crash, which they shipped over to London. This meant that the money lost by most Americans during the crash didn't just vanish, it just ended up in these other people's hands.

## X

## Control of the U.S. by Financiers (The Ultimate Goal of the Conspirator)

As we have seen, banking in Europe began in the medieval period with store-front gold merchants who invented fractional reserve banking by lending certificates against a gold reserve held for their customers on deposit. By the time of the Renaissance, banking was centered in Italy and Germany, then spread north and west to the Netherlands, France, and England.

While World War I and the Russian Revolution still lay a few years in the future, the international financiers quietly took control of the U.S. economic system in 1913 through the Federal Reserve Act and the 16th Amendment to the Constitution which provided for a federal tax on income. The purpose of this tax was to use citizens' earnings to pay the interest on the "funded" national debt. As with the debt owed by the British people to the Bank of England, this would be one so large, the principal could never be paid off.

It was the financier-controlled press which goaded President Woodrow Wilson into taking the nation into World War I on the side of England and France. But it was also part of the financiers' plan to shift the apparent focal point of their financial power from London to New York. This was done through the financing of the war with loans made to the European combatants by the New York banks.

During and after World War I, world financial power shifted to the New York banks through which, however, it would be the London-based elite exerting de facto control. It might also be said that starting with U.S. entry into World War I, once you look past the patriotic slogans, the U.S., its vast productivity, and the blood of its population have been used in making this country the worldwide military enforcer of international financier domination.

World War II became the means of consolidating financier control. Prior to that, during the years of the Great Depression, both Russia -aka the Soviet Union- and the U.S. were slipping away from the fold. Stalin had shown his "Bonapartist" tendencies by favoring "Socialism in one country," as well as by his deadly purges of the financier-controlled Trotskyite faction and his shocking rapprochement with Hitler in 1939 that seemed to foil the financiers' intent to play off Nazi Germany and the Soviets against each other.

In the U.S., President Franklin Roosevelt had taken steps during the Great Depression to rebuild the U.S. economy by exerting an unaccustomed degree of control over the Federal Reserve System and providing credit at low rates of interest to homeowners, farmers, and businessmen. This made Roosevelt seem to many wealthy Americans "a traitor to his class."

But World War II thwarted even these stirrings of nationalism in both countries. In both the Soviet Union and the U.S., the financiers worked the levers of debt to build massive war machines. They were also working through the Western banks, including Brown Brothers Harriman in New York, to achieve the same ends in Nazi Germany. Eventually Hitler invaded the Soviet Union, and the U.S. entered the war. Both during and after the war, operatives from the international financial elite centered in London were the linchpins of a worldwide matrix of spying, assassination, terrorism, industrial espionage, psy-ops, media manipulation, and monetary control. This included financing the founding of Israel as the Western bridgehead in the Middle East in 1948.

It has been thoroughly documented that since World War II the Western intelligence agencies, all with close ties to the financial world, particularly the New York and London investment banks, have been responsible for engendering wars, revolutions, and mayhem in countries around the world, causing the deaths of millions of people in Asia, Africa, Latin America, and southeastern Europe.

But warfare and weapons cost money, and by the late 1960s the Vietnam War was sinking the U.S. deeper into debt. The U.S. war machine was to be the main tool for financier enforcement of their worldwide plan of domination, but the nation was going broke. The problem was made worse by heavy federal expenditures for the poor and elderly through such programs as Medicare and Medicaid. Meanwhile, through the financiers' control of the U.S. Federal Reserve System, the producing economy was shattered through the Fed-induced recession of 1979-83, where interest rates were raised to the highest in history to combat the inflation the financiers had themselves caused by the oil price shocks. By this time, as some allege, the controversial concept of "peak oil" – whether it really existed or not - was being used as a cover for financier manipulation of oil markets by limiting production in order to maintain prices.

By 1992, when Bill Clinton was elected president, the U.S.

producing economy had been devastated by the shutdown of factories and the export of jobs. The work of wrecking the economy was completed by Clinton's embrace of NAFTA, which has largely eliminated family farming in favor of financier-controlled agribusiness in the U.S., Canada, and Mexico. Deregulation of the financial industry began in earnest during the Reagan years from 1981-89 and accelerated under Clinton.

By this time, the U.S. economy was being kept afloat only through financial bubbles that allowed the purchase of consumer goods to take place through more family and household debt. We had the merger/acquisition bubble of the 1980s, followed by the George H.W. Bush recession which led to Clinton's election in 1992. During the 1990s we had the dot.com bubble fueled by foreign investment. Capital gains taxes on stock price inflation and counting trust funds like Social Security as budgetary assets allowed Clinton to balance the federal budget the last three years of his presidency.

But the dot.com bubble also burst with the loss of $7 trillion of wealth through the crash of 2000-2001. Next came the Bush bubbles – in housing, equity funds, commercial real estate, and hedge funds – that have been deflating while threatening to destroy altogether the economic viability of what was once the world's greatest industrial democracy.[20]

# PART THREE

# The Recapture of America

## XI
## The Grace Commission
## (Where Does the Tax Revenue Go?)

President Ronald Reagan ordered the creation of a commission to determine the ultimate distribution of tax revenue collected from U.S. taxpayers by the Internal Revenue Service (IRS). The commission was commonly known as the "Grace Commission", chaired by Peter Grace, a highly respected business executive.

On January 15, 1984 the Grace Commission submitted its report to President Reagan. The following quotation is excerpted from the report:

> "The final report of the 1984 Grace Commission, convened under President Ronald Reagan, quietly admitted that none of the funds they collect from federal income taxes goes to pay for any federal government services. The Grace Commission found that those funds were being used to pay for interest on the federal debt, and income transfer payments to beneficiaries of entitlement

programs like federal pension plans."

The "President's Private Sector Survey on Cost Control", commonly referred to as the 1984 Reagan "Grace Commission Report" reveals that 100% of the "income tax" collected is applied against the interest of the national debt. The government operates on a deficit that is created from nothing by the Privately Owned Fed (owned by the same folks who own the major commercial banks) at interest, i.e. what could be created debt free and usury free by the Treasury has been usurped by the Banking Dynasties who have been ruling the World for centuries. Taxes are a way of controlling and manipulating the economy. They also give people a faith in the funny money - make 'it near and dear' to them. Balanced budgets and budget surpluses are a smoke and mirror trick. They sound really good, play well for the people, but are nothing more than panderings. I'm not going into it, period, but if any should care to make the study, you will be at first incredulous, then angered by the depths of deception under which the people of this country labor.

Even the inventor of the electric light, Thomas Edison, joined the fray in criticizing the system of the Federal Reserve: **"If our nation can issue a dollar bond, it can issue a dollar**

**bill. The element that makes the bond good, makes the bill good, also ... It is absurd to say that our country can issue $30 million in bonds and not $30 million in currency. Both are promises to pay, but one promise fattens the usurers and the other helps the people."**

In President Lincoln's words (he was assassinated by the Banksters' agent) **"The Government should create, issue, and circulate all the currency and credits needed to satisfy the spending power of the Government and the buying power of consumers. By the adoption of these principles, the taxpayers will be saved immense sums of interest."**

# XII

## The Cause of our Economic Crisis

During the next decade academic theses and prodigious professional tomes will be published explaining in great detail the various elements of the current economic crisis. However, Americans are impatient people and want prompt answers to the cause(s) of the loss of their jobs, investments and homes. This tract provides those answers.

At the root of the problem is the Federal Reserve System (the "Fed"). Since it's creation by a conspiracy of international bankers in 1913, the Fed has contributed to 19 U.S. recessions, and its loose credit policies of the 1920s were the primary cause of the Great Depression in the 1930s.

Moving onto the twenty-first century, the artificially low interest rates promoted by Alan Greenspan in 2001 led to the largest asset bubble in the history of the U.S., the housing boom. The wheels came off the traditional lending vehicles and practices:

- Waiver by lenders of proper appraisals;
- Waiver by lenders of down payments;
- Syndication of mortgages into packages of securities

privately placed by banks and investment banking firms;

- Substandard mortgages unloaded by unscrupulous lenders like Countrywide onto Fannie Mae and Freddie Mac;
- Lax or inefficient supervision by U.S. Government Agencies, i.e., FHA, FDIC and SEC; and
- Perhaps worst of all, utilization of the adjustable rate mortgage by unscrupulous lenders.

The adjustable rate mortgage, which should have been banned in its infancy, is the primary cause, along with packaging, reselling and insuring their possible failure, of the monumental foreclosures which began in 2008.

Recently Professor John B. Taylor of Stanford University and the Hoover Institute expressed his opinion of Fed policies in an article entitled "How Government Created the Financial Crisis", Wall Street Journal, February 9, 2009. The article is quoted in its entirety:

> "Many are calling for a 9/11-type commission to investigate the financial crisis. Any such investigation should not rule out government itself as a major culprit. My research shows that

government actions and interventions - not any inherent failure or instability of the private economy, caused prolonged and dramatically worsened the crisis.

"The classic explanation of financial crises is that they are caused by excesses - frequently monetary excesses - which lead to a boom and an inevitable bust. This crisis was no different: A housing boom followed by a bust led to defaults, the implosion of mortgages and mortgage-related securities at financial institutions, and resulting financial turmoil.

"Monetary excesses were the main cause of the boom. The Fed held its target interest rate, especially in 2003-2005, well below known monetary guidelines that say what good policy should be, based on historical experience. Keeping interest rates on the track that worked well in the past two decades, rather than keeping rates so low, would have prevented the boom and the bust. Researchers, at the Organization for Economic Cooperation and Development have provided corroborating evidence from other countries: The greater the degree of monetary excess in a country, the larger was the housing boom.

“The effects of the boom and bust were amplified by several complicating factors including the use of subprime and adjustable-rate mortgages, which led to excessive risk taking. There is also evidence the excessive risk taking was encouraged by the excessively low interest rates. Delinquency rates and foreclosure rates are inversely related to housing price inflation. These rates declined rapidly during the years housing prices rose rapidly, likely throwing mortgage underwriting programs off track and misleading many people.

“Adjustable-rate, subprime and other mortgages were packed into mortgage-backed securities of great complexity. Rating agencies underestimated the risk of these securities, either because of a lack of competition, poor accountability, or most likely the inherent difficulty in assessing risk due to the complexity.

“Other government actions were at play: The government-sponsored enterprises Fannie Mae and Freddie Mac were encouraged to expand and buy mortgage-backed securities, including those formed with the risky subprime mortgages.

“Government action also helped prolong the crisis. Consider that the financial crisis became acute on Aug. 9 and 10, 2007, when money-market interest rates rose dramatically. Interest rate spreads, such as the difference between three-month and overnight interbank loans, jumped to unprecedented levels.

"Diagnosing the reason for this sudden increase was essential for determining what type of policy response was appropriate. If liquidity was the problem, then providing more liquidity by making borrowing easier at the Federal Reserve discount window, or opening new windows or facilities, would be appropriate. But if counterparty risk was behind the sudden rise in money-market interest rates, then a direct focus on the quality and transparency of the bank's balance sheets would be appropriate.

"Early on, policy makers misdiagnosed the crisis as one of liquidity, and prescribed the wrong treatment.

"To provide more liquidity, the Fed created the Term Auction Facility (TAF) in December 2007. Its main aim was to reduce interest rate spreads in the money markets and increase the flow of credit. But the TAF did not seem to make much difference. If the reason for the spread was counterparty risk as distinct from liquidity, this is not surprising.

"Another early policy response was the Economic Stimulus Act of 2008, passed in February. The major part of this package was to send cash totaling over $100 billion to individuals and families so they would have more to spend and thus jumpstart consumption and the economy. But people spent little if anything of the temporary rebate (as predicted by Milton Friedman's permanent income theory, which holds that temporary as distinct from permanent increases in income do not lead to significant increases in consumption). Consumption was not jump-started.

"A third policy response was the very sharp reduction in the target federal-funds rate to 2% in April 2008 from 5.25% in August 2007. This was sharper than monetary guidelines such as my own Taylor Rule would prescribe. The most noticeable effect of this rate cut was a sharp depreciation of the dollar and a large increase in oil prices. After the start of the crisis, oil prices doubled to over $140 in July 2008, before plummeting back down as expectations of world economic growth declined. But by then the damage of the high oil prices had been done.

"After a year of such mistaken prescriptions, the crisis suddenly worsened in September and October 2008. We experienced a serious credit crunch, seriously weakening an economy already suffering from the lingering impact of the oil price hike and housing bust.

“Many have argued that the reason for this bad turn was the government's decision not to prevent the bankruptcy of Lehman Brothers over the weekend of Sept. 13 and 14. A study of this event suggests that the answer is more complicated and lay elsewhere.

“While interest rate spreads increased slightly on Monday, Sept. 15, they stayed in the range observed during the previous year and remained in that range through the rest of the week. On Friday, Sept. 19, the Treasury announced a rescue package, though not its size or the details. Over the weekend the package was put together and on Tuesday, Sept. 23 Fed Chairman Ben Bernanke and Treasury Secretary Henry Paulson testified before the Senate Banking Committee. They introduced the Troubled Asset Relief Program (TARP), saying that it would be $700 billion in size. A short draft of legislation was provided, with no mention of oversight and few restrictions on the use of the funds.

"The two men were questioned intensely and the reaction was quite negative, judging by the large volume of critical mail received by many members of Congress. It was following this testimony that one really begins to see the crisis deepening and interest rate spreads widening.

"The realization by the public that the government's intervention plan had not been fully thought through, and the official story that the economy was tanking, likely led to the panic seen in the next few weeks. And this was likely amplified by the ad hoc decisions to support some financial institutions and not others and unclear, seemingly fear-based explanations of programs to address the crisis. What was

> the rationale for intervening with Bear Stearns, then not with Lehman, and then again with AIG? What would guide the operations of the TARP?
>
> "It did not have to be this way. To prevent misguided actions in the future, it is urgent that we return to sound principles of monetary policy, basing government interventions on clearly stated diagnoses and predictable frameworks for government actions.
>
> "Massive responses with little explanation will probably make things worse. That is the lesson from this crisis so far."

All of the foregoing was exacerbated by liberal political activist groups exerting pressure on the financial community to make single family dwellings available to unqualified buyers.

Finally, you add the human elements: (1) Naïvete of buyers who agreed to adjustable rate mortgages, with no cushion in their monthly income; and (2) the greed of the financial community. The author has found that tracking noteworthy activities of the Fed in the printed news media usually leads to the Wall Street Journal. For the convenience of the reader an Appendix has been prepared which begins during the Thanksgiving holiday in 2008 and ends immediately before Professor Taylor's article.

By reading the title of these articles [See Appendix 3] one can ascertain how the "image in print" of the Fed has gradually diminished since last November.

In chronological order, the titles are:

- November 25 – One Cure
- November 26 – Dollar Appears Safe
- December 2 – Fed Signals More Action
- December 15 – Bernanke's Fed
- December 17 – Fed Cuts Rates
- December 17 – Bernanke Goes All In
- December 18 – The Fed's Price Controls
- January 3 – Credit Default Swamp
- January 20 – Fed Grapples
- January 22 – Nationalization Problems
- February 2 – Fed Risks Burying Treasury

- February 7 – U.S. Weighs Fed Program to Loosen Lending
- February 9 – How Government Created Financial Crisis
- February 11 – Fed Balance Sheet Shrinks
- February 12 – Fed Faces Constraints
- February 14 – Treasury Turns to Fed
- February 19 – Fed Forecasts Much Deeper Downturn

On February 7, 2009 we learn about TALF (the Term Asset Backed Securities Loan Facility), a $200 billion program which relies heavily on hedge funds. TALF was apparently unveiled to the Treasury Department last November to replace the lagging sale of securities backed by consumer debt.

This program is a combination of Mickey Mouse and the Seven Dwarfs. A prospective investor borrows money from Uncle Sam, based on a potpourri of credit facilities, i.e., credit card, small business loan, student loan or auto loan. Since numerous hedge funds have expressed an interest to participate this should be a signal to the small investor to be cautious. In the mainstream of major financial transactions TALF could very well be considered the Fed's "Last Hurrah!"

## XIII
## Ron Paul's Attempt to Abolish the Fed

On several occasions since 1913 highly respected legislators have attacked the constitutional existence of the Federal Reserve Act (the "Act").

In adopting the Act, Congress violated Article I, section 8 of the U.S. Constitution which gives Congress alone the right to create money and regulate the value thereof. In 1935, the U.S. Supreme Court ruled that Congress cannot constitutionally delegate this power to another body.[21]

In 2002, as Chairman Greenspan's loose credit policies began to shape the fateful real estate balloon, Representative Ron Paul of Texas, formerly a decorated Air Force medical officer, began to address Congress. On September 10, 2002, he stated:

> "Since the creation of the Federal Reserve, middle and working- class Americans have been victimized by a boom-and-bust monetary policy. In addition, most Americans have suffered a steadily eroding purchasing power because of the Federal Reserve's inflationary policies. This

> represents a real, if hidden, tax imposed on the American people ....”
>
> “It is time for the Congress to put the interests of the American people ahead of the special interests. Abolishing the Federal Reserve will allow Congress to reassert its constitutional authority over monetary policy.”
>
> “Abolishing the Federal Reserve and returning to a constitutional system (as mandated) will enable America to return to the type of monetary system envisioned by our nation's founders: one where the value of money is consistent because it is tied to a commodity such as gold .... I urge my colleagues (to co-sponsor) my legislation to abolish the Federal Reserve.”

On June 15, 2007, Ron Paul introduced H.R. 2755 entitled “Federal Reserve Abolition Act.” No further legislative action was taken other than referral of the Bill to the Committee on Financial Services which is chaired by Representative Barney

Frank of Massachusetts. Why was there no action? The financial power circle in the U.S. Government consists of the following:

- President of the United States;
- Secretary of the Treasury;
- Senator Christopher Dodd, Chairman of the Senate Finance Committee;
- Representative Barney Frank, Chairman of the House Financial Services Committee; and
- Professor Ben Bernanke, Chairman of the Fed.

On November 22, 2008, “End the Fed" protests were held in 39 or more cities nationwide (including New York, Chicago, Los Angeles and Washington, DC), but you'd hardly know it for lack of media coverage. Attendee demands were simple and emphatic:

- end a private banking cartel's illegal monopoly control over the nation's money supply and price;
- return that power to the US Treasury as the Constitution mandates;
- end a fiat currency system backed by the waning full faith and credit of the government; and

- return the country to a sound, hard currency monetary system.

Currently Ron Paul and the Banksters are doing battle in Congress to have the Federal Reserve System audited for the very **first time** in its 96 year history. If you seriously question whether it's needed, consider:

Elizabeth Coleman is the inspector general of the Federal Reserve of the United States, commonly referred to as the Fed. This is the little-understood institution which prints and regulates all U.S. money. As inspector general, the Federal Reserve website states Elizabeth Coleman is 'responsible for preventing and detecting waste, fraud, and abuse.' Yet in eye-opening, videotaped Congressional testimony, Fed Inspector General Coleman acknowledged that she can't account for many trillions – yes, trillions – of dollars of taxpayers' money.

One trillion dollars is over $3,000 for every man, woman, and child in the U.S. If you count taxpayers, it's equivalent to $7,000 for every taxpayer. Coleman acknowledged that Fed is not missing just $1 trillion, but many trillions of taxpayers' dollars. **In the video clip she says she knows nothing about nine trillion dollars ($9,000,000,000,000) that is claimed**

**to be unaccounted for. That's $63,000 for each taxpayer. It's also three times the amount of the entire annual federal budget of the United States missing in action!**

Something must be done![22]

## XIV
## Should We Nationalize the Banks?

Should the U.S. Government control “Banking” and its origin have been discussed at great length in this book because: “you can’t live with it, and can’t live without it.”

“Living with it” is essential because everyone and every business in a modern civilized society requires some level of credit, controlled by banks and other financial institutions.

As we have discussed in the preceding chapters, loose credit engendered by the former chairman of the Fed has had the ultimate effect of causing the U.S. credit system to implode.

Who took the hit? While the Secretary of the Treasury rushed to dispense billions of dollars to major banks, as a capital investment, individuals and the business community found that existing non-delinquent lines of credit were summarily terminated.

As many readers are aware, a great deal of this capital investment was spent or committed by banks to executive bonuses for 2008, and for acquisition of less privileged banks.

We are informed that Bank of America was urged by the Treasury Department to make an unaudited acquisition of Merril

Lynch, with John Thain, Merril's CEO, tagging along, with his undisclosed bonus. Remedial steps are now being drafted to mollify at least the bonus issue.

The subject of bailing out banks and other financial institutions with fiat money is critical in determining whether a capitalist economy can survive in America. Socialism, perhaps European style, is on the horizon espoused by liberals and protagonists of a one world community and economy.

To illustrate this point, consider the impact of the cover on a February, 2009 issue of Newsweek magazine which states in bold type: "We Are All Socialists Now." The reference, of course, is the seven hundred and eighty seven billion dollar ($787 billion) Stimulus package enacted by a Democratic Congress, on top of the seven hundred billion dollar ($700 billion) Bailout package enacted in 2008.

Provocative commentary on the subject of American banking, and how our economy functions has recently been released by Ellen Brown, J.D., the author of "Web of Debt", a prodigious expose of the Fed.

In her recent articles: "Sustainable Government: Banking for a 'New' New Deal", December 8, 2008; and "Borrowing from

Peter to Pay Paul", December 29, 2008, she describes the analogy of fractional reserve banking to a Ponzi scheme and offers advice on how to resolve the banking dilemma in America.

As a preface to Ms. Brown's advice we offer a simplified definition of what banking is designed to do. Banks act as depositories of customer funds, make secured and unsecured loans, and in some cases act as a private or statutory trustee. When a bank makes a loan, it simply adds the amount of the loan to its borrower's account. No money is taken or transferred from any source. The loan funds are new money, created by the bank for the benefit of its borrower.

Ms. Brown offers the following, which is quoted in pertinent part, concerning treatment of insolvent banks: "Accumulating a network of publicly-owned banks would be a simple matter today. As banks became insolvent, instead of trying to bail them out, the government could just put them into bankruptcy and take them over. Insolvent banks are dealt with by the FDIC, which is authorized to proceed in one of three ways. It can order a payout, in which the bank is liquidated and ceases to exist. It can arrange for a purchase and assumption, in which another bank buys the failed bank and assumes its liabilities. Or it can take the bridge bank option, in which the FDIC replaces the board of directors and provides the capital to get it running again in exchange for an equity stake in the bank. An "equity stake" means an ownership interest: the bank's stock becomes the property of the government. Nationalization is an option routinely pursued in Europe for bankrupt banks. As William Engdahl observed in a September 30 article, citing economist Nouriel Roubini for authority:

> "[I]n almost every case of recent banking crises in which emergency action was needed to save the financial system, the most economical (to taxpayers) method was to have the Government, as in Sweden or Finland in the early 1990's, nationalize the troubled banks [and] take over their management and assets ... In the Swedish case, the Government held the assets, mostly real estate, for several years until the economy again improved at which point they could sell them onto the market . ., In the Swedish case the end cost to taxpayers

was estimated to have been almost nil. The state never did as Paulson proposed, to buy the toxic waste of the banks, leaving them to get off free from their follies of securitization and speculation abuses."

"As in any corporate acquisition, business in the banks nationalized by the government could carry on as before. Not much would need to change beyond the names on the stock certificates. The banks would just be under new management. They could advance loans as accounting entries, just as they do now. The difference would be that interest on advances of credit, rather than going into private vaults for private profit, would go into the coffers of the government. The "full faith and credit of the United States" would become an asset of the United States. Instead of paying half a trillion dollars annually in interest, the U.S. could be receiving

> interest on its credit, replacing or eliminating the need to tax its citizens.
>
> "There are three ways government could fund itself without either going into debt to private lenders or taxing the people: (1) the federal government could set up its own federally-owned lending facility [which has in fact been done in North Dakota]; (2) the states could set up state-owned lending facilities; or (3) the federal government could issue currency directly, to be spent into the economy on public projects. Viable precedent exists for each of these alternatives."

We concur that Ms. Brown's options are possible, but we demur as to whether they are plausible without taking the following factors into consideration:

1. The Glass-Stegall Act, which allows banks to expand into other ventures, is the progenitor of many bank failures, and must be repealed.
2. Creating a national bank, or an aggregator bank, to deal

with failed banks, with toxic assets, is an invitation to saddle taxpayers with yet another beauracratic monster.

3. Transactions with the Fed have to be "unwound."
4. The U.S. government is a big spender, and a poor manager of money.
5. Government control of banking, other than tighter controls on management conduct, is a further expansion of socialism in America.

## XV
## FED to the Rescue;
## America's Greatest Fiction

In late March, 2009 the FED undertook the task of saving America's financial system by purchasing over one trillion dollars of bonds issued by the U.S. Treasury. Of course, this was accomplished by printing money, or creating an electronic credit entry, to expand the money supply.

Shortly thereafter an excellent explanatory article by Hon Hilsenrath appeared in the Wall Street Journal. This purchase acquired bonds backed by interest bearing mortgage securities which are real, identifiable assets, as opposed to an electronic credit backed only by America's greatest fiction. Mr. Hilsenrath's article, entitled "Fed Doesn't Need a Press to Print It's New Money" is so instructive that it is printed herein in full text.

> "Wouldn't it be nice if you could just print money?
>
> "The U.S. Federal Reserve can. It has pumped roughly $800 billion of new money into the financial system over the past seven months, and last week said another trillion dollars or more could be created in

months ahead.

"But new money doesn't roll off a printing press and get loaded in armored trucks. The Fed purchases securities or other assets from securities dealers in exchange for electronic credits that amount to cash and are deposited in banks.

"The cash credits – known as bank reserves – have grown from $3 billion last August to $776 billion by mid-March. The Fed made clear this week that reserves will soar in the months ahead, as the central bank expands its rescue programs.

"Sure, the Fed can literally print money through the Bureau of Engraving and Printing. The central bank's name is on the money in your wallet. But that isn't how it expands money and credit. Since August, Federal Reserve notes – also known as dollars – have only increased to $862 billion from $793 billion.

"The key to understanding what the Fed does is understanding the securities it buys. This week, it said it would purchase as much as $1.25 trillion of mortgage-backed securities backed by the government-owned mortgage firms Fannie Mae, Freddie Mac and Ginnie Mae. It will also buy as much as $200 billion of debt issued by those firms. And, importantly, it will buy up to $300 billion of long-term debt issued by the U.S. government itself.

"The Fed hopes the purchases will drive down long-term interest rates and make mortgages cheaper. When it buys securities, in theory, that should drive up the price and drive down the yield.

"Some economists find the Fed's actions alarming, especially its purchases of government bonds. The Fed is essentially creating money and lending it to the Treasury. Economists worry this will

> bloat budget deficits.
>
> "Right now, though, the Fed's worry isn't inflation. With so many factories standing idle and homes sitting empty, it is hard to raise prices. And the cash the Fed has been pumping into banks isn't being turned into loans. 'It is only if the banking system starts to expand credit that you get higher spending and inflation,' says Ethan Harris, an economist with Barclays Capital.
>
> "Officials hope the new money gets more credit into the economy and helps to revive the financial system. If all goes according to plan, Fed officials will pull the extra money during recovery, pushing interest rates higher before inflation gets out of hand."

Having now come full circle, so to speak, even the United Nations is saying that a "new currency" is needed to fix the broken 'confidence game.' On September 7, Bloomberg news reported:

“The dollar’s role in international trade should be reduced by establishing a new currency to protect emerging markets from the “confidence game” of financial speculation, the United Nations said.

“UN countries should agree on the creation of a global reserve bank to issue the currency and to monitor the national exchange rates of its members, the Geneva-based UN conference on Trade and Development said today in a report.

“China, India, Brazil and Russia this year called for a replacement to the dollar as the main reserve currency after the financial crisis sparked by the collapse of the U.S. mortgage market led to the worst global recession since World War II. China, the world’s largest holder of dollar reserves, said a supranational currency such as the International Monetary Fund’s special drawing rights, or SDRs, may add stability.

"There's a much better chance of achieving a stable patter of exchange rates in a multilaterally-agree framework for exchange-rate management,' Heiner Flassbeck, co-author of the report and a UNCTAD director, said in an interview from Geneva. 'An initiative equivalent to Bretton Woods or the European Monetary System is needed."

Where will it finally end?

## Conclusion

## THE SOLUTION

The looting of America is documented in substantial part, by a memorandum dated April, 1961, which reposes in the archives of the Federal Reserve Bank in St. Louis, Missouri. It lies among the official papers of William McChesney Martin, the longest serving Chairman of the Board of Governors of the Federal Reserve System (April, 1951 to January, 1970). This memorandum sets the stage for the most grievous acts of malfeasance occurring after the beginning of World War I.

First, the Fed seeking to avoid oversight by Congress, obtained an Amendment to the Federal Reserve Act in 1917, allowing foreign accounts, and opened an account with the Bank of England that same year. Thus, President Wilson was able to finance England's War.

Despite the objection of Congress, an account was opened in 1931 with the Bank of International Settlements, with a deposit of ten million dollars ($10,000,000). This type of banking was known as "intervention", but in fact was "foreign exchange" in which the Fed utilized the U.S. Gold Reserve to make its trades.

During Mr. Martin's tenure the U.S. Gold Reserve decreased approximately fifty percent (50%) from 633.2 million ounces to 339.5 million ounces. In that same period the total quantity of dollar currency increased from $190 billion to $616.1 billion, an increase of fiat currency.

Second, the demise of the U.S. Gold Reserve followed shortly after Mr. Martin's tenure. Faced with the cost of the Vietnam War, President Nixon decided, upon advice from the Fed, to breach the Bretton Woods Agreement, a treaty in which the U.S. had agreed to maintain a gold reserve. When President Nixon resigned Americans had only fiat money in their wallets.

Alan Greenspan's tenure as Chairman of the Fed is the second longest of record and produced two recessions plus the devastating bubble already discussed. His theory of loose credit is reminiscent of the same mistake that caused the Great Depression. Mr. Greenspan returned to stage center on February 18, 2009, to announce his remedy for the financial community, "Nationalize the banks." An exit to stage left, followed by silence, would be more appropriate at this time.

Our choice is to follow the pattern of conduct of Cicero when he addressed the Roman Senate in times of stress: "Praetereo in Silencio." (I pass over in silence)

Having thus cleared the atmosphere, we will now conclude by setting forth two solutions to restoring sanity:

**First: Nationalize the Federal Reserve System**

A) The U.S. Constitution mandates that only Congress is empowered to create and issue currency. Revocation of the Federal Reserve Act will restore this Constitutional power to Congress;

B) Nationalization of the Fed will:

(1) place the operational control of the Fed under the Treasury Department without any adverse effect on the banking system;

(2)save approximately forty-two percent (42%) of Federal tax revenue, which currently disappears into the Fed's coffers;

(3) cancel all principal and interest payments on Treasury instruments which are held by the Fed;

(4) reduce the national debt by the aggregate amount of all Treasury instruments held by the Fed;

(5) transfer all other viable assets of the Fed to the U.S.

Treasury;

(6) reduce the joint operational cost of the Fed and the U.S. Treasury; and

(7) restore and enhance the international status of the U.S. Treasury Department.

**Second: Enact the American Monetary Act**

A) The American Monetary Act [See Appendix 2] was introduced to Congress on April 23, 2009, by Stephen Zarlenga, director of the American Monetary Institute (AMI). Mr. Zarlenga, a well recognized expert on the monetary system, is the author of "The Lost Science of Money", an authoritative tome on the history of money. This Act, which was drafted by AMI, directly addresses the critical need for monetary reform and the incorporation of the Fed into the U.S. Treasury.

In the introduction to the Act, Mr. Zarlenga states that monetary reform is achieved in three parts which must be enacted together for it to work.

"First, incorporate the Federal Reserve System into the U.S. Treasury where all new money could be created by government as money, not interest-bearing debt, and spent into circulation to promote the general welfare. The monetary system would be monitored to be neither inflationary nor deflationary.

"Second, halt the bank's privilege to create money by ending the fractional reserve system in a gentle and elegant way. All the past monetized private credit would be converted into U.S. government money. Banks would then act as intermediaries accepting savings deposits and loaning them out to borrowers. They would do what people think they do now.

"Third, spend new money into circulation on infrastructure, including the crucial human infrastructure of education and healthcare needed for a growing society, starting with the $1.6 trillion that the American Society of Civil Engineers estimates is needed for infrastructure repair. This would create good jobs across our nation, re-invigorating local economies and re-funding government at all levels."

B) The U.S. Constitution mandates that only Congress is empowered to create and issue currency. Replacement of the Federal Reserve Act with the American Monetary Act will restore this Constitutional power to Congress;

C) The major benefits of the American Monetary Act will be to;

1. place the operational control of the Fed under the Treasury Department without any adverse effect on the banking system;
2. save approximately forty-two percent (42%) of Federal tax revenue, which currently disappears into the Fed's coffers;
3. cancel all principal and interest payments on Treasury instruments which are held by the Fed;
4. reduce the national debt by the aggregate amount of all Treasury instruments held by the Fed;
5. transfer all other viable assets of the Fed to the U.S. Treasury;
6. reduce the joint operational cost of the Fed and the U.S. Treasury; and
7. restore and enhance the international status of the U.S. Treasury Department.

The real truth is that a financial element comprised of a relative handful of men has owned and run the government since the days of Jackson and Lincoln. It is now up to each of you to decide whether the promise that "We shall have world government whether or not you like it…by conquest or consent," made by James Warburg [23](Rothschild's agent), is fulfilled or not. Only you can decide. **Please, please, please: WAKE UP AMERICA!**

God Bless America

September 21, 2009

A. Clifton Hodges

Pasadena, California

## ENDNOTES

[1] Web of Debt, P. 68-69
[2] Creature from Jekyll Island, P. 324
[3] Creature form Jekyll Island, P.339-340
[4] Dupre 2006, p. 280
[5] Brands 2006, p. 66
[6] Dupre 2006, p. 271
[7] Dupre 2006, p. 270
[8] Dobson 2002, p. 105
[9] Rothbard 2007, p. 87
[10] Web of Debt, P. 81-82
[11] Web of Debt, P. 87-88
[12] Web of Debt, P. 94
[13] Web of Debt, P. 96
[14] Creature form Jekyll Island, P. 23
[15] Web of Debt, P. 126-127
[16] Web of Debt, P. 161-162
[17] Perhaps spurred by a speech given by Representative James Trafficant, Jr. (Ohio) on the House floor –see Appendix 1
[18] Web of Debt, P.163-164
[19] Creature form Jekyll Island, P. 193
[20] Creature form Jekyll Island, P. 199-200
[21] See: Schecter Poultry Corp. vs. United States (1935) 295 U.S. 495 in which the court struck down as unconstitutional the National Industrial Recovery Act as an impermissible delegation of Congress' Constitutionally defined powers.
[22] Burks, Fred. *"Federal Reserve Inspector General hedges on trillions missing in Congressional hearing."* Examiner.com. 22 May 2009. Examiner.com Inside Source for Everything Local Los Angeles. 11 September 2009. < http://www.examiner.com/x-6495-US-Intelligence-Examiner~y2009m5d22-Federal-Reserve-Inspector-General-hedges-on-trillions-missing-in-Congressional-hearing>

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## Acknowledgements

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## Appendices

(1) Representative James Traficant, Jr.'s Speech (March 17, 1993)

(2) The American Monetary Act. 2008.

(3) Wall Street Journal Articles

(4) Russbacher, Gunther. *An Expose of the Federal Reserve Banking System.* Rumor Mills News. 2000. <http://www.rumormillnews.com/fedres.htm>