**PART 2 THE MONEY MATRIX: War**

by Sue Peters

“When a commercial bank makes a loan contract with a borrower, the bank CREATES the deposit in the borrower’s account.” This is the “money power.” Have you repeated this fact 15,000 times yet? Whoever controls this ‘money power,’ decides if the nation will go to war. Here is a case study from World War I.(1)

**INVESTMENT BANKS** By 1912, the large New York and Chicago commercial banks were controlled by a cartel of powerful investment banks. Investment banks are private businesses and do not have authority to issue banknotes or create deposits, but their control of the large commercial banks allowed them to wield the ‘money power’ and gain control over the large industrial corporations of the time. The most powerful of investment banker was J.P. Morgan.(2)

**U.S. ‘NEUTRALITY’** War broke out in Europe in August, 1914. The U.S. was neutral, but in January, 1915, the firm of J.P. Morgan signed a Commercial Agency Agreement with the British government to enter “into a wide range of purchasing and contracting arrangements with American firms in behalf of the United Kingdom.”(3) In May, 1915, France did the same. J.P. Morgan organized the financing of war purchases, decided which American companies would be suppliers, and set the prices of the final products. “Not surprisingly, corporations directly in the Morgan and Rockefeller groups of companies were the prime beneficiaries of Morgan’s astute purchasing.”(4)

England and France shipped their gold to Morgan to help finance the purchases. On December 4, 1916, the U.S Secretary of the Treasury reported that the U.S. stock of gold was the largest ever in our history, and indeed ever in the history of the world! The gold had found its way into the reserves of the private Fed Banks and their commercial bank owners.

England and France sent Morgan their citizens’ confiscated U.S. stocks and bonds to sell to American citizens on the U.S. exchanges. England and France also borrowed about $2.4 billion from the U.S. bond markets. All these securities were sold by Morgan, using the cartels’ control over the large commercial banks, members of the new Federal Reserve System. U.S. citizens bought the securities, many taking out bank loans to do so. The commercial banks themselves also bought the securities. The bank loans created bankmoney, but in addition the banks’ purchases of these securities also created bankmoney. Surprise! Note well: legally, when a commercial bank buys a stock or bond, they can CREATE the deposit in the seller’s account!

By the eve of the U.S. entry into the war, Morgan had shipped $5 billion worth of war materials, the economy was booming, and the U.S. had become the leader of world finance. Morgan himself loaned a half billion dollars to the Allies. But still the Allies needed more credit to keep waging the war.

**U.S. ENTERS WWI** By the beginning of 1917, the Allies were desperate for more loans, but Morgan had reached his limit. The U.S. Ambassador to Great Britain informed President Wilson that the Allies would lose the war unless they got more loans. If the U.S declared war on Germany, our government could extend such loans and the U.S. could continue to supply war materials. Our prosperity and trade would continue.

On April 2, 1917, President Wilson asked congress for a declaration of war since “The world must be made safe for democracy.”

**POWER OF THE CARTEL’S FEDERAL RESERVE SYSTEM** The 1913 Federal Reserve Law had been pushed through Congress by the banking cartel. The 1913 Law gave the Fed Banks the power to issue a new private currency called Federal Reserve Notes (Fed Notes), as the debt of the government, not an asset like the money issued directly by the Treasury. The U.S. Congress had handed this incredible power to the private banking cartel with the 1913 Law!

As the U.S. declared war on Germany, the Fed Law was amended to empower even more bankmoney creation by the member commercial banks – with massive death and destruction to a whole generation. From April, 1917, to April, 1919, the U.S. Treasury offered the U.S. public five issues of ‘Liberty Bonds,’ totaling $21.5 billion. The Fed Banks supported their member banks buying Liberty Bonds directly from the Treasury (CREATING bankmoney in the account of the Treasury) and signing loan contracts with customers buying Liberty Bonds directly from the Treasury (CREATING bankmoney in the customers’ bank accounts). The Treasury was able to sell all the Liberty Bonds.

From June 20, 1917, to December 31, 1917, the Fed member banks increased their investments in government securities by 65%, and in commercial loans by 31%. During the entire war, two-thirds of the industrial profits were taken by enterprises under the control of the investment banking cartel. The public debt increased from less than $1 billion when the Fed was created to $27 billion at the end of the war. The banking cartel had massive control of the nation, which has only grown exponentially to the present day.

SOURCES:

(1) Susan Peters. “DEBT DRIVES WAR AND WAR DRIVES DEBT: The Powers of Bank Credit Creation during World War I. “ Valatie, New York: American Monetary Institute, 2019. https://www.monetary.org/

(2) Money Trust Investigation, House of Representatives (1912-1913). Washington, D.C.: Congress, House, Committee on Banking and Currency, 1913. Also known as the Pujo Committee, after the chairman Arsene Pujo. "Exhibit 134-C: Interlocking Directorates". “Exhibits 243 and 244.” - zoom into the diagrams to see the details. <https://fraser.stlouisfed.org/title/80>

(3) Stuart D. Brandes. *Warhogs: A History of War Profits in America*. Lexington, Kentucky: The University Press of Kentucky, 1997, p 129.

(4) F. William Engdahl. *Gods of Money: Wall Street and the Death of the American Century*. Wiesbaden, Germany: edition.engdahl, 2009, p. 66.