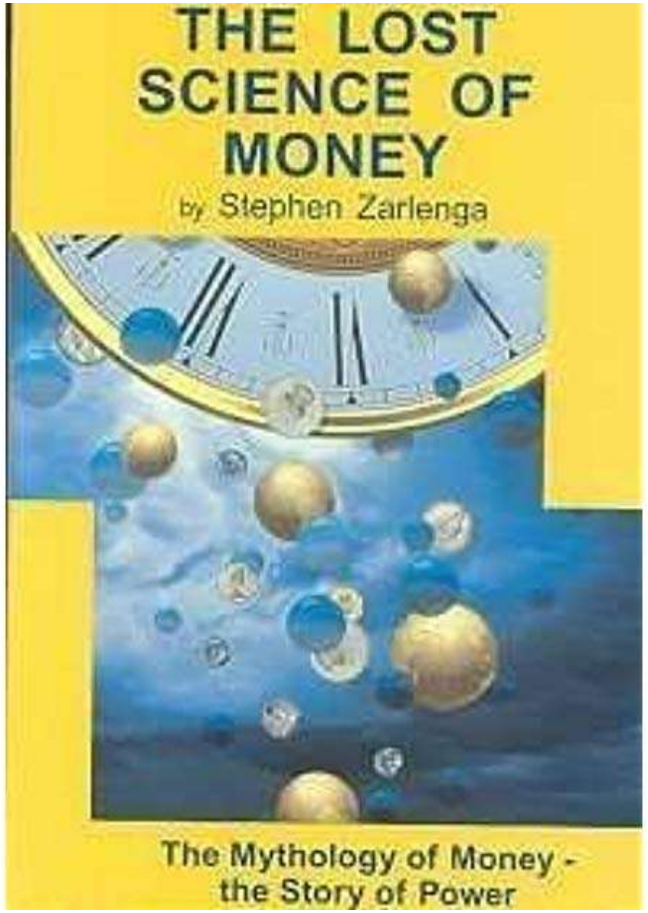
The nature of money is concealed in history, up to the present time.

The history of American money is not taught in American schools.



THEMES OF LOST SCIENCE OF MONEY BOOK

1. Primary importance of the money power (power to create money and regulate it)

2. Nature of money <u>purposely</u> kept <u>secret and confused</u>

3. How a society defines money determines who controls the society

4. Battle over control of money has raged <u>for millennia</u>: public vs private

5. The misuse of the monetary system causes tremendous misery and suffering for the ordinary working people. Will & Martin, February 2014

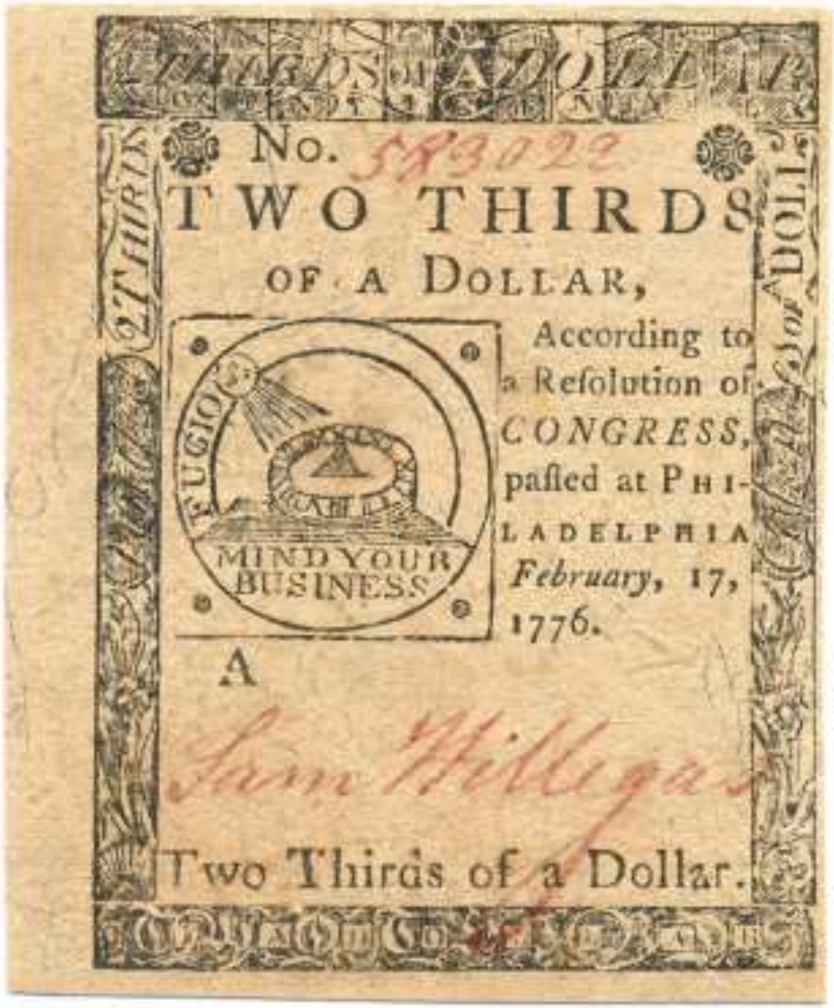
THE U.S. COLONIAL MONEY

How a society defines money determines who controls the society.

AMERICA HAS BEEN A NATION OF PUBLICLY-ISSUED FIAT PAPER MONEY: Without it, there would be no United States.

IT DEVELOPED OUR COLONIES.

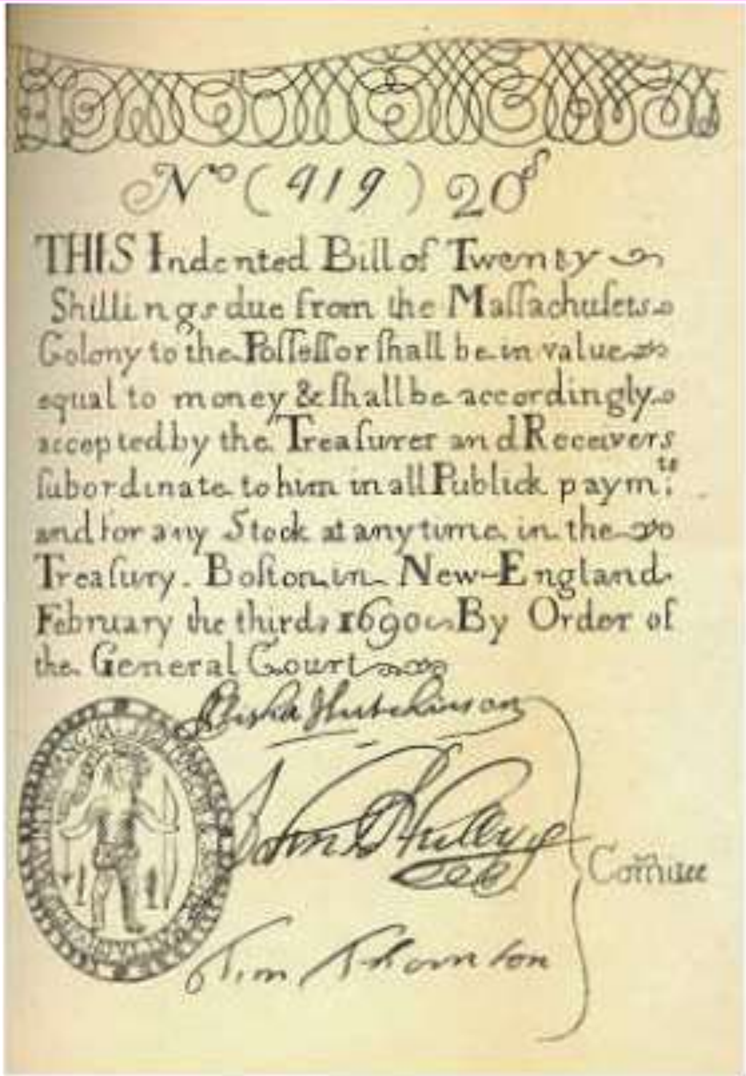
IT GAINED OUR INDEPENDENCE



IT MAINTAINED THE UNION

Massachusetts Bills of Credit – the West's First Paper Money

In 1690 Massachusetts embarked on a radical experiment – the colony issued 'Bills of Credit", a form of paper money not backed by any physical thing.



Bill Of Credit, America's First Paper Money

Rather than a promise to pay, it was a <u>promise to receive</u> – to accept the paper bills for all moneys due to Massachusetts, valued at 5% above the note's face amount.

Massachusetts did not intend the bills as money, but they immediately began circulating as money, ending the colony's distress.

<u>This money did not flow back to England like the coinage.</u>

"This indented bill of twenty shillings, due from the Massachusetts Colony to the Possessor, shall be in value equal to money, and shall be accordingly accepted by the Treasurer, and Receivers subordinate to him in all publick payments, and for any stock at any time in the Treasury. Boston in New England December February the third 1690. By order he General Court."

"Indenting" is a protective device against counterfeiting. Indenting meant a portion of the bill was cut with a sharp blade along a border design… no two cuts would be exactly alike. The small border stub, that was cut off by the indenting, was retained by the government with the serial number from the note being recorded on it, to be matched when the bill was redeemed.

THE ISSUE OF PAPER CURRENCY QUICKLY SPREAD TO OTHER COLONIES

- Previous to 1711: New Hampshire
  Rhode Island
  Connecticut
  New York
  New Jersey
- 1712: Carolina (N & S)
- 1723: Pennsylvania
- 1734: Maryland
- 1739: Delaware
- 1755: Virginia
- 1760: Georgia

Ingenuity in devising variations on the main principle was used: interest-bearing or not, legal tender or not; legal tender for future obligations but not past debts; certain sources of taxation pledged or not; payable on demand or in the future; etc.

It was not unusual for the bills of one colony to circulate in nearby colonies.

OF GREAT IMPORTANCE IS THAT THE COLONIES DID NOT ISSUE MORE BILLS THAN THEIR LEGISLATURES AUTHORIZED.

When the colonies authorized the issuance of too many bills – and this sometimes occurred – their value dropped. But when the paper issues were moderate – and there was no exact science to this – they kept their value well.

The colonists were learning one of the basic laws governing money, that if too much is circulating in relation to the work it has to do, its value will start to decline (whatever it is made of).

The bills were not redeemable in specie. When paid into the treasury in taxes or in payments on the principal, the bills were destroyed. As long as the quantity of bills was not excessive, they retained their value. It was only when the original issue was excessive, or when repeated issues, as in time of war, greatly increased the circulation that the bills depreciated.

THE 1764 CURRENCY ACT WAS ENFORCED BY ENGLAND IN ALL COLONIES!

The ACT didn’t ban paper money for government expenses, but banned it as legal tender in private transactions, and made the ban retroactive for ten years, applying it to any money issued since 1754! It thus sharply contracted the circulation, harming trade.

Franklin went to London to lobby for its repeal.

MORE THAN ANYTHING ELSE IT WAS THE LORDS OF TRADE'S MONETARY SUPPRESSIONS THAT LED TO THE REVOLUTION

"But the narrow-minded and selfish London merchants and bankers, who influenced the government at this period, would not permit the colonies to have their own monetary system; they must accept such 'national' coins as the London merchants choosed to lend them; as though there was anything 'national' about coins which were manufactured at their own (the merchants') private behest and could be withdrawn, melted or exported at their own pleasure. Accordingly orders were sent to America to put down the Colonial money … it was the enforcement of this policy that brought on the Revolution …

The History of Money in America, Alexander del Mar, p. 69

March 5, 1770 – BOSTON MASSACRE

COMMODITY MONEY ADVOCATES ALSO ADMITTED THE ISSUE OF PAPER MONEY ISSUANCE WAS A GREAT CAUSE OF THE REVOLUTION

"The action finally taken by Great Britain aroused the most bitter feelings of resentment; and the {Currency} law of 1764 was enacted at a time when the minds of Americans were excited over the Stamp Act … " p. 58

"In 1766, when he was examined before the House of Commons, Franklin gave it as his deliberate opinion that one reason for the impatience and disrespect which the colonies were manifesting toward Parliamentary authority was 'the prohibition of making paper money.' Too little attention has been given to this fact by most American historians." p. 58

Charles J. Bullock, *Essays on the Monetary History of the United States*

CONTINENTAL CURRENCY AND THE REVOLUTION WERE INSEPARABLE!

"Lexington and Concord were trivial acts of resistance which chiefly concerned those who took part in them and which might have been forgiven; but the creation and circulation of bills of credit by revolutionary assemblies in Massachusetts and Philadelphia, were the acts of whole people and coming as they did upon the heels of the strenuous efforts made by the Crown to suppress paper money in America, they constituted acts of defiance so contemptuous and insulting to the Crown that forgiveness was thereafter impossible."

The History of Money in America, Alexander del Mar, p. 96

Massive British Counterfeiting of the Continentals

BENJAMIN FRANKLIN'S DESCRIPTION OF THE BRITISH COUNTERFEITING

Benjamin Franklin in his eightieth year wrote an ironical essay concerning American debts to British merchants in which he clearly analysed the effect of British counterfeiting of Continental Currency as follows:

Paper money was in those times our universal currency. But, it being the instrument with which we combated our enemies, they resolved to deprive us of its use by depreciating it; and the most effectual means they could contrive was to counterfeit it. The artists they employed performed so well, that immense quantities of these counterfeits, which issued from the British government in New York, were circulated among the inhabitants of all the States, before the fraud was detected. This operated considerably in depreciating the whole mass, first, by the vast additional quantity, and next by the uncertainty in distinguishing the true from the false; and the depreciation was a loss to all and the ruin of many. It is true our enemies gained a vast deal of our property by the operation; but it did not go into the hands of our particular creditors; so their demands still subsisted, and we were still abused for not paying our debts![2]

BENJAMIN FRANKLIN
(1706 – 1790)

THE WONDER OF THE CONTINENTAL MONEY

1. the establishment of a national currency by a new Nation in wartime
2. needing to get eleven states to give up a large part of their sovereignty – the money power
3. counterfeiting by England
4. necessity to fight a revolutionary war against a great power

More?

BENJAMIN FRANKLIN RECOGNIZED THE CONTINENTALS

"… THE WHOLE IS A MYSTERY EVEN TO THE POLITICIANS, HOW WE HAVE BEEN ABLE TO CONTINUE A WAR FOUR YEARS WITHOUT MONEY, AND HOW WE COULD PAY WITH PAPER THAT HAD NO PREVIOUSLY FIXED FUND APPROPRIATED SPECIFICALLY TO REDEEM IT.

THIS CURRENCY AS WE MANAGE IT IS A WONDER MACHINE…"

Writings, Benjamin Franklin,
April 22, 1779 letter from France to Dr. Cooper, pp. 422-3

PRIVATE BANKS COME TO THE NEW U.S.A.

Battle over control of money has raged for millenia….
Public versus Private

It was recognized in Athens and Sparta, centuries before the birth of Christ, that <u>one of the most vital prerogatives of the State was the right to issue money</u>.

"To allow it to become a source of revenue to private issuers is to create first, a secret and illicit arm of the government and last, a rival power strong enough ultimately to overthrow all other forms of government." Frederick Soddy, *The Role of Money,* 1934

Bronze coin issued by Roman Senate ('SC') from mint of Emperor Claudius 37-38 AD

PRIVATELY OWNED
N.Y. FEDERAL RESERVE BANK
created 1913

INTRODUCTION

"By 1800 the Bank of England had been operating for over a century, transferring the power and wealth of society to the People of the Bank – the bankers and associated "financiers." Though previously subservient to government, they soon came to dominate government and society by usurping the nation's monetary power.

"Great concentrations of wealth were accumulated through macro usury – the structural misuse of society's monetary mechanisms."

Zarlenga, *LSM*, p. 479

BANK OF ENGLAND, founded 1694 as a private bank

WILLIAM PITT, FIRST EARL OF CHATHAM

"Let the Americans adopt their funding system, and go into their Banking institutions, and their boasted independence will be a mere phantom."

THE MONEY POWER was in ARTICLE 9 of the ARTICLES OF CONFEDERATION

"The United States in Congress assembled shall have authority …

- to borrow money, or **emit bills on the credit of the United States**, transmitting every half-year to the respective States an account of the sums of money so borrowed **or emitted**"

Article 9

HOW WAS THE CONGRESS TO PAY THE DEBTS OF THE CONFEDERATION? ARTICLE 12, ARTICLES OF CONFEDERATION

"Article XII. All **bills of credit emitted**, monies borrowed, and debts contracted by, or under the authority of congress, before the assembling of the united States, in pursuance of the present confederation, shall be deemed and considered as a charge against the United States, for payment and satisfaction whereof the said united States, and the public faith are hereby solemnly pledged."

The War of Independence saddled the country with an enormous debt. In 1784, the total Confederation debt was nearly $40 million:

- $ 8.0 million -- owed to French and Dutch
- $11.5 million - government bonds, known as loan-office certificates
- $ 3.1 million - certificates on interest indebtedness
- $16.7 million - continental certificates -- non-interest bearing notes issued for supplies purchased or impressed, and to pay soldiers and officers

Bank of North America: Early Moves to Usurp the U.S. Monetary Power

Morris sold the Bank's government stock – and the bank became a private business only

The Bank was ultimately merged into modern-day Wells Fargo

ALEXANDER DEL MAR
(1836 – 1926)

"On October 19th, 1781, Lord Cornwallis surrendered his forces to the American army before Yorktown, Va., and this event virtually ended the war … On May 26th, 1781, a bill was passed in Congress to incorporate the Bank of North America with privilege to issue notes … on January 7th, 1782, the Bank commenced operations.

Never was a great historical event followed by a more feeble sequel. A nation arises to claim for itself liberty and sovereignty. It gains both of these ends by an immense sacrifice of blood and treasure. Then, when victory is gained and secured, it hands the national credit – that is to say, a national treasure – over to private individuals, to do as they please with it." p 109, Alexander Del Mar, *The History of Money in America*

Bank of North America: Early Moves to Usurp the U.S. Monetary Power

"The Colonists had practically an entire continent to themselves. They had only to take care that the seed they planted was genuine and uncontaminated. Nature was certain to do the rest.

Well, they planted; and now look at the fruit and see what it is that they planted!

- They planted financial corporations, a rotten seed ...
- They planted private money ... germs of social decay ...
- They planted financial exemptions from public burdens ... a tree so mighty that it casts a threatening shadow over the land ...

In a word they planted another revolution."

THE MONEY POWER WAS IGNORED IN THE US CONSTITUTION

"The Constitution left open a back door through which a form of authoritarian rule could enter, a form more dangerous than monarchy because it was less visible and not understood; and more threatening still because its center of power was outside the nation, to the east … the money power…" Stephen Zarlenga, *LSM*, p. 394

HIDDEN

The Constitutional Convention: The Nature of Man & The Nature of Money

"The MONEY POWER" (Van Buren always capitalized it) "… when firmly established, was destined to become the only kind of an Aristocracy that could exist in our political system." Martin Van Buren

It would take Jefferson almost twenty years to understand what had been ignored in the Constitution and he would spend the rest of his life doing battle against the MONEY POWER.

Jackson's Presidency became literally a life and death struggle with the bankers.

Van Buren thought he finally finished them off in 1840, but he was overly optimistic.

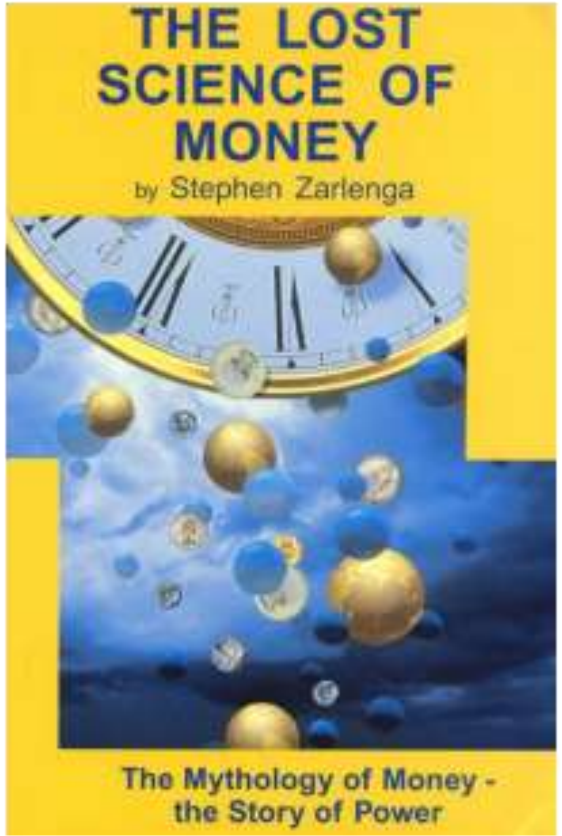
The Nature of Money Purposely Kept Secret and Confused

THE FOUNDING FATHERS DID
NOT HAVE A GOOD UNDERSTANDING OF THE NATURE OF MONEY

THE MAIN EXPLANATION: AS A GROUP, THE FOUNDING FATHERS DID NOT HAVE A GOOD UNDERSTANDING OF THE NATURE OF MONEY

IS MONEY A COMMODITY LIKE GOLD WITH INTRINSIC VALUE? … THEN IT IS A CREATURE OF MERCHANTS AND BANKERS, AND NOT GOVERNMENTS

IS MONEY AN ABSTRACT SOCIAL INVENTION – AN INSTITUTION OF LAW?



If Money is a legal institution, *AS LSM HAS BEEN DEMONSTRATING*, then it is a creature of government, and the Constitution had better deal with it – how a uniform currency is to be provided, controlled, and kept reasonably stable, in a just manner.

Monetary Power Left Undefined: Confusion Over the Nature of Money

KNOWLEDGE OF THE NATURE OF MONEY IS GAINED BY LOOKING AT HISTORY – EXPERIENCE – WITH A TRUTHFUL INTERPRETATION.

THE OTHER APPROACH IS LOGICAL OR THEORETICAL, WHICH CAN BECOME DIVORCED FROM REALITY.

The Colonists discovered that abstract paper money – PUBLIC FIAT MONEY – builds real infrastructure and wealth; that money works as a medium of exchange and need not be an object of value in itself.

COLONIAL PHILADELPHIA

NEW YORK

BOSTON

Monetary Power Left Undefined: Some Merchants Understood: "To Emit Bills of Credit"

This key element of sovereignty – the power to create money – was not solidly placed in the new government by the "Moneyed interest," while they hypocritically proclaimed the need to strengthen the national government.

Merchants like Robert Morris and Alexander Hamilton did not want the nation to have the money power. They were to put forward a funding system upon the Bank of England plan as one of the first measures of the new government.

THEY TRIED TO GET A CLAUSE FORBIDDING IT, BUT FAILED.
THE CONSTITUTION IS SILENT ON THE POWER, NEITHER CONFERRING OR FORBIDDING IT.

THE MONETARY POWER WAS CONSIDERED SO IMPORTANT THAT IT WAS EXPLICITLY DENIED TO THE STATES (YET WOULD BE HANDED TO A PRIVATE GANG OF BANKERS!)

ARTICLE 1, SECTION 10 …

No State shall … coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts …

Monetary Power Left Undefined: Limited U.S. Money Powers

Although the Convention had been sold the idea of money as a commodity, the financiers knew that private banks created money out of thin air by the accounting entries on its books. A loan from the private bank was a credit entered on the books of the bank into the borrower's account. This account credit would be transferred by the borrower by check or order, requiring no intervention of gold or silver.

December 14, 1790, Secretary of the Treasury, Alexander Hamilton, submitted to Congress the *Second Report on the Public Credit*, calling for the establishment of a National Bank. In this report Hamilton describes how the private bank creates money, using the bank's accounting. There was no need of bank notes or gold or silver.

Every loan which a bank makes, is, in its first shape, a credit given to the borrower on its books, the amount of which it stands ready to pay, either in its own notes, or in gold or silver, at his option. But, in a great number of cases, no actual payment is made in either. The borrower frequently, by a check or order, transfers his credit to some other person, to whom he has a payment to make; who, in his turn, is as often content with a similar credit, because he is satisfied that he can, whenever he pleases, either convert it into cash, or pass it to some other hand, as an equivalent for it. And in this manner the credit keeps circulating, performing, in every stage, the office of money, till it is extinguished by a discount with some person who has a payment to make to the bank, to an equal or greater amount. Thus large sums are lent and paid, frequently through a variety of hands, without the intervention of a single piece of coin.

THUS, FROM THE BEGINNING UNTIL JUST BEFORE THE Civil War Greenbacks, the monetary record of the U.S. is excellent.

From 1787 to 1863,
the U.S. Government handled its money power well,
issuing notes in an orderly, responsible manner.

U.S. EXPERIENCE WITH GOVERNMENT ISSUED MONEY

ONE MAJOR MISTAKE: Van Buren caused a severe depression, which arose from his misguided commodity view of money and his attempt to institute a true metallic standard of gold and silver from 1836. Jackson and Van Buren removed the monetary power from the private bankers … but did not re-establish it in the hands of the nation. Fortunately, that was the first and last time that happened in the U.S.

1837 DEPRESSION

REACTION TO THE PRIVATE 2ND BANK OF THE U.S.

- The state of Georgia sued the bank for removing coinage from circulation.
- In North Carolina, the chairman of a state legislative committee wrote that the bank's actions were "the greatest crime in years".
- In Illinois, in August 1818, the Constitution prohibited any but state chartered banks within the state.
- Several states imposed taxes on the 2nd Bank
- In Pennsylvania, a legislative investigating commission harshly criticized the Bank: "A distress unexampled in our country since the period of its independence, prevails throughout the Commonwealth ... The incorporation of the monied interest already sufficiently powerful of itself, further created vicious aristocracies, hostile to the spirit of free government, and subversive of the rights and liberties of the people." Condy Raguet, *A Treatise on Currency and Banking,* 1840

HOW 'FREE BANKING' OPERATED

We identify the period in America before 1836 as the free banking period.

This was the period of unregulated banking.

Hezekia Niles, editor and publisher of *Niles Weekly Register*, one of the most widely circulated magazines in the United States and himself into one of the most influential journalists of his day:

"The imagination of an honest man can hardly conceive the stupendous villainies that have been contrived by the banks… "

William M. Gouge, influential editor and publisher: "The banking system is the principal cause of social evil in the United States."

Senator Thomas Hart Benton demanded to know: "Are men with pens sticking behind their ears to be allowed to put an end to this republic?"

GOUGE'S DESCRIPTION OF EARLY BANKING

"Although Gouge speaks only of 'issues,' what he says is just as true of deposits; and the evil attributed to note issue was attributable to deposit credit no less. This was unapparent to him because it was not realized that deposit credit arose from lending exactly as note circulation did and that, banks being taken as a whole, there was more bank credit extended in the form of deposits than of notes. Consequently if notes were bad, deposits were worse; and if notes deserved to be prohibited, deposits deserved it still more." Bray Hammond, p. 607

PART 7C: Why false monetary ideas dominated legislatures

(Gouge, Chapter XIX: Of the Ways and Means by which Bank Charters are obtained and renewed)

Over the periodical press, the Banks have great power. Few journalists can venture to expose the money corporation system, in such plain terms as every body would understand, without risking the means of support for themselves and families.

Newspaper editors have as much independence of principle as other men; but … the neglect of subscribers to pay up arrears, has brought many of them in debt to the Banks. Others who are not in debt, are supported principally by the patronage of the Banking interest.

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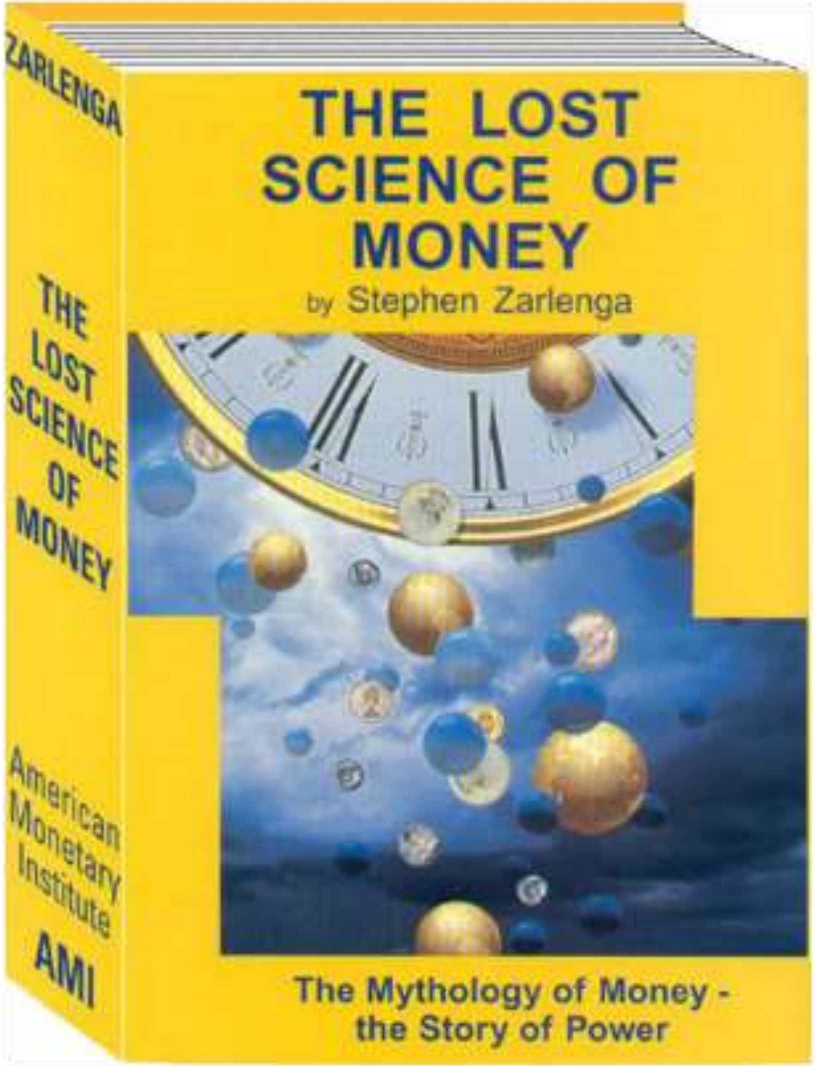
Newspaper editors have as much independence of principle as other men; but … the neglect of subscribers to pay up arrears, has brought many of them in debt to the Banks. Others who are not in debt, are supported principally by the patronage of the Banking interest.

The friends of the Banking system act in concert: its opponents act singly, if they act at all.

It ought to excite no surprise… the … money system has … been prolonged to the present time…

To remove it would require a regular plan of operations … carried into effect by a party which would be willing to sacrifice all merely personal predilections and antipathies for the grand object of breaking down the money corporation and … money system, and restoring to the great body of the American people their *natural* right of acquiring property by industry and economy.



THE GREENBACK DOLLAR

How a society defines money determines who controls the society.

STEPHEN ZARLENGA, *LOST SCIENCE OF MONEY*

"...THEY WERE PROBABLY THE BEST MONEY SYSTEM AMERICA HAS EVER HAD...
A MORE HONEST MONEY SYSTEM, CONTROLLED BY GOVERNMENT, INSTEAD OF BANKS."

"The world was about to witness vast, consciously executed deflations, starting in England, then Europe's Latin Monetary Union, the U.S., and finally Japan."

"Each country's situation presented different opportunities for bankers to reduce the money supply and increase the value of the nation's currency units which were owed to them."

Zarlenga, *LSM*, pp. 479-480

ENGLAND

LATIN MONETARY UNION:
France, Switzerland, Belgium, Italy, Greece

U.S.

JAPAN

→ DEFLATION → → DEFLATION → → DEFLATION → → DEFLATION →

Why Some Bankers Deflate

Privately controlled money has no motive to give society stability and a stable value of the unit of currency.

It has two money "games": inflation and deflation

GAME #1: **INFLATION** - OVER EXPANDING THE MONEY SUPPLY

MEANS HIGH PRICES AND MONEY WORTH LESS
(HURTS PERSON ON FIXED INCOME OR SAVINGS)

GAME #2: **DEFLATION** – CONTRACTING THE MONEY SUPPLY

MEANS UNPAYABLE DEBTS, BANKRUPTCIES, UNEMPLOYMENT
AND A MONEY THAT IS WORTH MORE (FOR THE CREDITOR)

PART 6

The Latin Monetary Union Demonetizes Silver 1865-1873

"... over 95 per cent of all the exchanges of the world are transacted not with money, whether of metal or paper, but with mere orders for money, such as checks and bills of exchange ... affecting to be exchangeable ... on demand for coins of gold or silver. What now shall be thought of the man or the men who thirty years ago deliberately destroyed one-half of the scant support upon which the stupendous superstructure of the world's commerce, contracts, and expectations depends?" Alexander Del Mar, *A History of Monetary Crimes*, p. 78-79, speaking before the Memphis Monetary Convention 1895.

PANIC OF 1893:

Speculation causing a bubble in railroad building, railroad bankruptcies, and a run on gold sparked this panic. People rushed to withdraw their money from banks, and caused bank runs.

Dispossessed

Chicago's Lakefront - unemployed

Estimates of the unemployment rate per 100 persons during the 1890s (2 sources):

Year	Lebergott	Romer
1893	11.7	8.1
1894	18.4	12.3
1895	13.7	11.1
1896	14.5	12.0
1897	14.5	12.4
1898	12.4	11.6
1899	6.5	8.7

PART 6

The Latin Monetary Union Demonetizes Silver 1865-1873

Wealthy bond holders in each country gained money and power for decades, as the value of the currency unit rose.

Creditors gained; debtors lost.

TODAY'S FAMILY OFFICES – WEALTHY CREDITORS

FARM FORECLOSURE

CHAPTER 18 – Part 2

19TH CENTURY MONETARY CRIMES – THE GREAT DE-MONETIZATIONS

"The conspiracy … formed here and in Europe to destroy … from three-sevenths to one-half of the metallic money of the world, is the most gigantic crime of this or any other age."
John G. Carlisle, House of Representatives, February 21, 1878

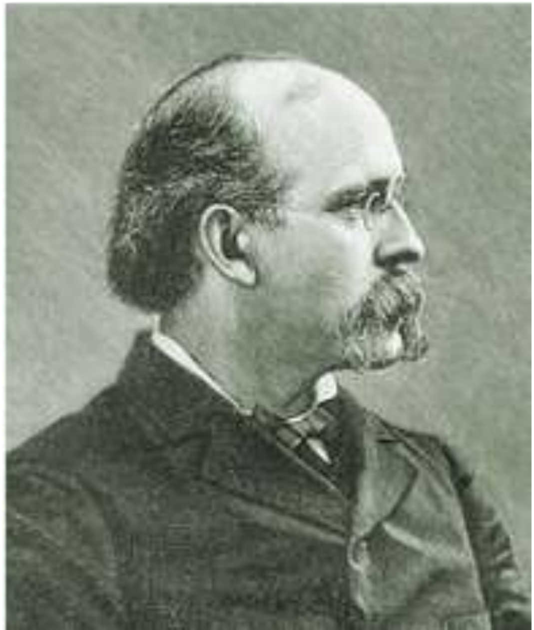
John G. Carlisle (1834 – 1910)
Sec of Treasury 1893-1897

4. Third Parties Formed to Defend the Greenbacks

National Labor Union 1866-1872

"While the workingmen were enlisting in the service of their country, the bankers and owners of gold were working their way into Congress… and when the war ended they had control of Congress. A speaker on the floor of the House of Representatives said, after looking around him: 'I see the representatives of eighty banks sitting as members of this House.' " Terence V. Powderly, *Thirty Years of Labor 1859-1889*, pub. 1890, p. 35

Terence V. Powderly
(1849–1924)



4. Third Parties Formed to Defend the Greenbacks

National Labor Union 1866-1872

The organizers of the NLU considered the currency question the most important of all. One of its major organizers, William H. Sylvis, said:

"If it were possible to make all the trade unions in the country see the importance of this movement, and appreciate the fact that if we can succeed in establishing our monetary system as the law of the land it would so change the whole face of society as to do away with the necessity for trade unions entirely … "

From the platform of the NLU:

"That money is the medium of distribution to non-producing capital and producing labor… that the power to make money and regulate its value is an essential attribute of sovereignty… That the law enacting the so-called national banking system is a delegation by Congress of the sovereign power to make money and regulate its power to a class of irresponsible banking associations, thereby giving to them the power to control the value of all the property in the nation… justice, reason and sound policy demand its immediate repeal, and the substitution of legal-tender Treasury notes as the exclusive currency of the nation."

of Labor 1859-1889, p. 45

William H. Sylvis (1828–1869): founder of the Iron Molders' International Union and NLU, one of the first American union federations attempting to unite workers of various crafts into a single national organization

4. Third Parties Formed to Defend the Greenbacks

National Labor Union 1866-1872

The NLU was neutralized by "the slanderer, the political demagogue, the self-seeking fellow-toiler, the jealous-minded and the paid emissary of wealth. They were many... THEY AT ONCE SET TO WORK TO CREATE DISSENSION AMONG THE MEMBERS BY HINTING THAT THE OFFICERS WERE ROBBING THEM; THAT THEY WERE BEING PETTED AND COURTED BY POLITICIANS; THAT THEY WERE SELLING OUT... Pliant tools in the ranks of labor aided them, and soon the power of the organization began to wane until it finally disbanded." Terence V. Powderly, *Thirty Years of Labor 1859-1889*, pp. 45-55

HOW DID THE ALLIANCE GROW?

ITS BUILDING BLOCKS WERE:

1. INDIVIDUAL SELF-RESPECT
2. COLLECTIVE SELF-CONFIDENCE
3. DEMOCRATIC SELF-DIRECTION
4. CREATION OF A MOVEMENT CULTURE
5. MASS ORGANIZATIONAL EDUCATION IN FINANCIAL SYSTEM AND FARMING

WHAT LESSONS DID THE ALLIANCE LEARN?

#1 immediate political action will not work – too many of the poor are tied to traditional modes of thinking

#2 personal self-respect must be instilled in membership – the movement had to support members educating each other (lecturer system)

#3 the cooperative idea spurred the organizational work

#4 the democratic instinct would be released with education and a new political language shared in mutually supportive groups

5. The Silver Diversion

The "Crime of 1873" focused the public on silver versus gold money. Bimetallism versus one standard? A silver standard or a gold standard?

"Consider how the silver issue was used to derail the populists, and obscure the real monetary question of who should control the money system – private bankers or the government. Monetary control had been the main focus of the Greenback movement." Stephen Zarlenga, *LSM*, p. 500

9. The Greenback Legacy Continued

"The people were not fooled, so much as they were over-powered! Henry George, an important 19th century reformer, wrote:

'It is not the business of government to direct the employment of labor and capital… On the other hand it is the business of government to issue money…

…the private interests of bankers have… compelled us to the use of a hybrid currency, of which a large part… is issued and made profitable to corporations… by leaving to them, even in part and under restrictions and guarantees, the issuance of money, the people of the United States suffer an annual loss of millions of dollars, and sensibly increase the influences which exert a corrupting effect upon their government.' "

Henry George, *Social Problems*, pub. 1883, pp. 244-245, as quoted in Stephen Zarlenga, *LSM*, p. 504

10. Summary

- Purposely executed 19th century deflations
- Silver demonetizations
- Bankers attack Greenbacks, supporters & their parties
- Diversion of populists to silver question from main issue of societal control of the money system
- Great importance by bankers to remove Greenbacks from the view of the world

1. INTRODUCTION

GREENBACK BATTLES OF THE 1860s AND 1870s WERE THE "REAL THING"

"For the first and only time in our history, the primary secular problem of American society was being accurately attacked: the private control of the money system and the special privileges that elements of society – the bankers – had usurped for their personal benefit at society's expense."

Stephen Zarlenga, *LSM*, p. 507

Peter Cooper's campaign poster

1. INTRODUCTION

GREENBACK BATTLES OF THE 1860s AND 1870s WERE THE "REAL THING"

"The programs of Jackson and Van Buren had much more popular support but lacked an accurate solution, and erroneously instituted a system more dependent on metal."

Stephen Zarlenga, *LSM*, p. 507

SOME OF THE PROBLEMS FACED BY POPULISTS WERE IMPROVING:
Much of the manufacturing was potentially independent of the banks

New manufacturing funds were generated internally from profits, not from borrowing:

"During 1899-1904, the intense merger period, a large part of corporate finance came from external sources. For the entire period of 1900-1910, however, 70.4 per cent of the new funds in manufacturing came from internal sources, and this led to a general independence from outside financial power…

The ability of industrial corporations to finance their own growth meant a corresponding decrease in the power of finance capital, which in tum allowed competition to arise and new firms to develop quite freely of finance capital.

…a diminution of the power of the older investment and banking houses."

Gabriel Kolko, *The Triumph of Conservatism*, p. 145

1. Carroll Quigley: Fed Established by Stealth – But Is It a Conspiracy?

Carroll Quigley wrote *TRAGEDY & HOPE: A HISTORY OF THE WORLD IN OUR TIME*, pub. 1966. Here are some observations of the author on the history of the monetary system :

"Credit had been known to the Italians and Netherlanders… Nevertheless, the founding of the Bank of England by William Paterson and his friends in 1694 is one of the great dates in world history…

… creation of paper claims [bank notes] greater than the reserves [money] available means that bankers were creating money out of nothing.

The same thing could be done.. by deposit banks… 'created deposits' or loans could also be covered adequately by retaining reserves [money] to only a fraction of their value.

… bankers usually refused to express their actions, either note issuing or deposit lending, in these terms… " Quigley, pp. 48-49

William Paterson (1658 - 1719) did say:
"The Bank hath benefit of interest on all moneys which it creates out of nothing."

1. Carroll Quigley:
Fed Established by Stealth - But Is It a Conspiracy?

Carroll Quigley wrote *TRAGEDY & HOPE: A HISTORY OF THE WORLD IN OUR TIME*, pub. 1966. Here are some observations of the author on the history of the monetary system :

The international bankers were different than the ordinary bankers:

1. they were international
2. they were close to governments and particularly concerned with questions of government debts
3. their interests were almost exclusively in bonds and very rarely in goods
4. they were, accordingly, fanatical devotees of deflation and of the gold standard
5. they were almost equally devoted to secrecy and the secret use of financial influence in political life

(paraphrased from Quigley, p. 52)

1. Carroll Quigley:
Fed Established by Stealth – But Is It a Conspiracy?

Carroll Quigley wrote *TRAGEDY & HOPE: A HISTORY OF THE WORLD IN OUR TIME*, pub. 1966. Here are some observations of the author on the history of the monetary system :

For Carroll Quigley, the FED was established by stealth
for that was the nature of international bankers and banking.
Secrecy and deception and obfuscation to the public
was its history.

William Paterson on the creation of the Bank of England:

"All this while, the very name of a bank or corporation was avoided, though the notion of both was intended... "

1. Bankers Prefer Am

The Federal Reserve Bill was poorly define ous.

- The Fed supposedly arose from Aldrich's National Monetary Commission, which didn't define money anywhere in its 48 reports on banking 1909 – 1911

- Publicly, the Fed touted gold-backed paper money, moving far away from the advanced Greenback concept.

- Privately, the FED included credit as money, in the 'real bills' concept.

1. Bankers Prefer Ambiguity

The Federal Reserve Bill was poorly defined and ambiguous.

How 'REAL BILLS' (Short-term Business Loans) Worked

Step #1: Commercial banks make loans to commercial businesses (create money from thin air). Loans for 90 days or less. The loans were backed by business inventories (the "real" in real bills).

Step #2: Using their commercial loans as collateral, member commercial banks could borrow from the Fed. This was called 'access to the Fed's Discount Window'. The Fed Bank would create reserve money out of thin air and loan it to the member bank.

This was the legalization of 'credit' or accounting money, created out of thin air.
This was believed to give 'elasticity' to the money supply.

2. FED in the "Nick of Time" for World War One

The Federal Reserve Law was amended to dramatically increase the Fed's ability to issue notes.

1916 – law amended: Fed Banks could, for the first time, make loans to member banks with government debt as collateral (in limited quantity).

April 1917: Wilson and Congress declare war.

June 1917 – law amended: Federal Reserve Notes backed with only 60% commercial loans (not 100%) and 40% gold.

1917 – law amended: government debt now substituted for commercial debt as collateral for loans from Fed Banks

The Fed now faced no constraints creating Fed Reserve notes (out of nothing) backed by federal debt.

2. FED in the “Nick of Time” for World War One

The Federal Reserve Law amended to dramatically increase the Fed’s ability to issue notes.

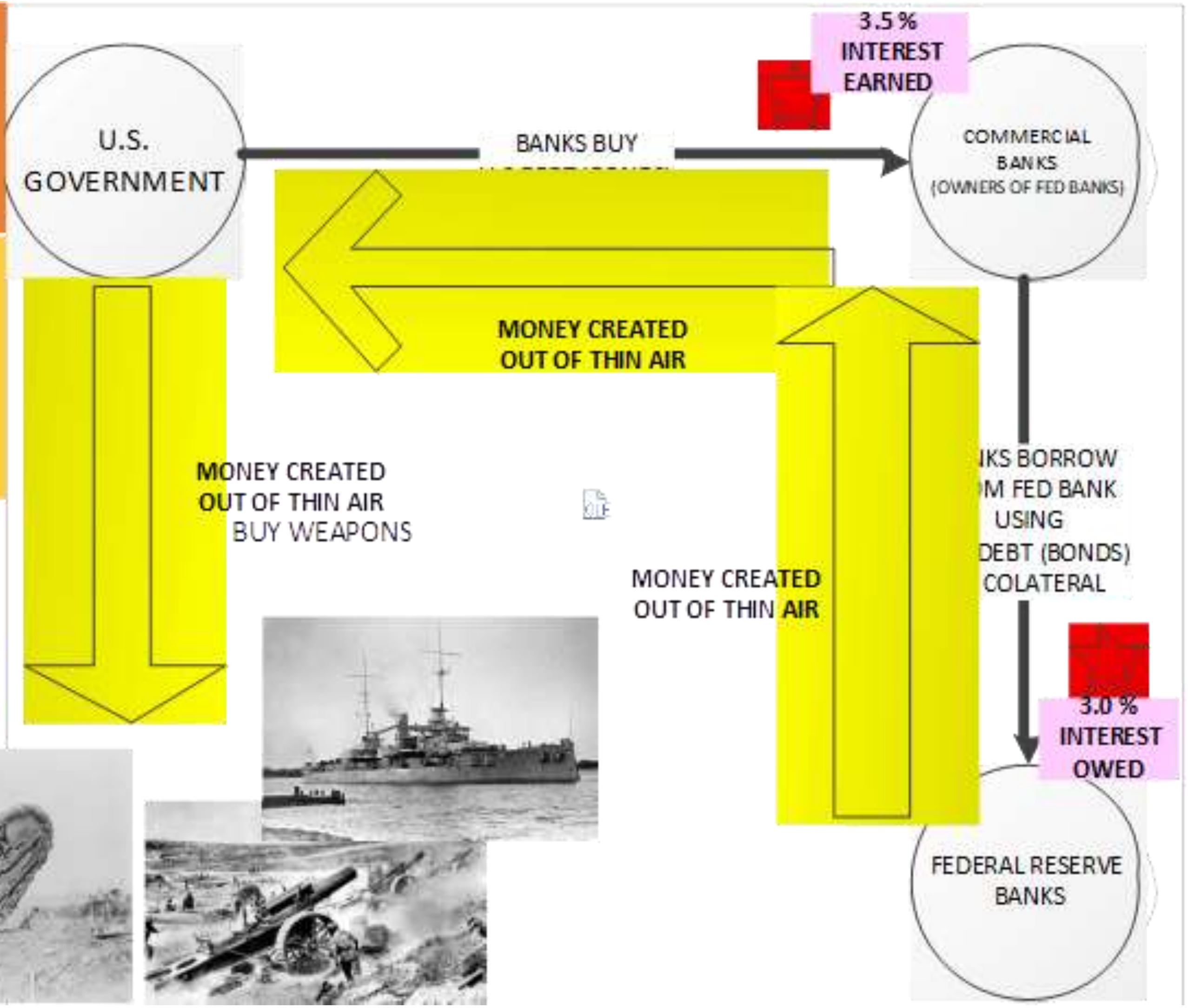
Member banks could buy **3.5%** Liberty bonds at government-debt auctions (with credit money they created out of nothing). The member banks would submit the bonds to the Fed as collateral for loans at the preferential rate of **3%** (the Fed creating Federal Reserve notes out of nothing).

The member banks ‘pocketed’ the .5% difference in interest as profit.

“… the Reserve Banks encouraged their member banks to purchase Treasury securities by establishing preferential discount rates on loans secured by government notes and bonds (Meltzer 2003, *A History of the Federal Reserve*, Volume 1, *1913-1951,* pp.85-86). ”

2. FED in the "Nick of Time" for World War One

Member banks make money from 'spread': 3.5% earned minus 3.0% owed = 0.5% profit



2. FED in the "Nick of Time" for World War One

April 1917 to the Armistice of 11/11/1918 = 19 months:

U.S. government lent the European Allied Powers the stupendous sum of **9.4 billion dollars**.

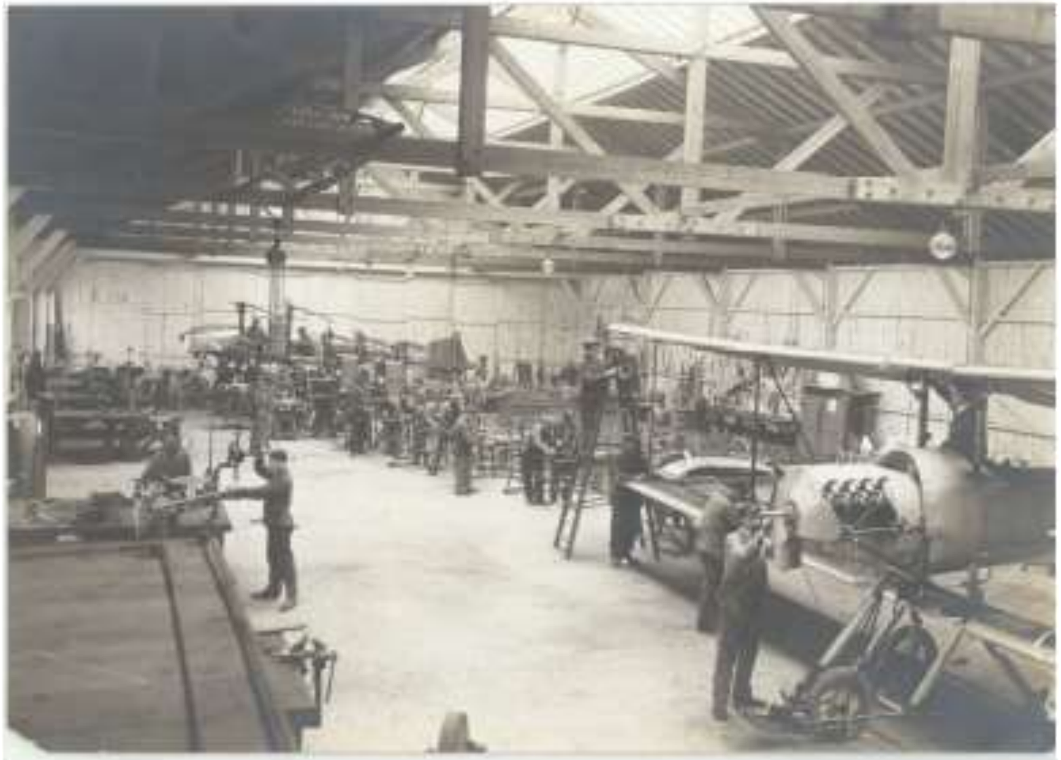
All this money went to American industries, most tied to Morgan, Kuhn-Loeb, and Rockefeller, to pay for war supplies for allies.

Much of this U.S. federal debt was bought by member commercial banks of the Federal Reserve System - with credit money created out of thin air.

3. U.S. Sells Arms to Both Sides

- By 1916, the private investment bank of J.P. Morgan had organized loans to Britain and France for a staggering 1.2 billion dollars of war munitions

- By the 1917 entrance into war by U.S., 5 billion dollars of war supplies and weapons have been exported from the country by Morgan syndicate



3. U.S. Sells Arms to Both Sides

March 5, 1917 - confidential dispatch from Walter Hines Page, US Ambassador to London, to Wilson:

"I think that the pressure of this approaching crisis has gone beyond the ability of the Morgan Financial Agency….If we should go to war with Germany, the greatest help we could give the Allies would be such a credit… Unless we go to war with Germany our Government, of course, cannot make such a direct grant of credit……"

He added that the alternative to war was domestic collapse of the US….

Walter Hines Page (1855 – 1918)
American journalist, publisher, diplomat
U.S. ambassador to U.K. during World War I

Warburg, the Monetary Reformer

Warburg

- **Governor, First Federal Reserve Board, 1914-1918**
- **Member, Federal Reserve's Federal Advisory Council, 1918-1927**

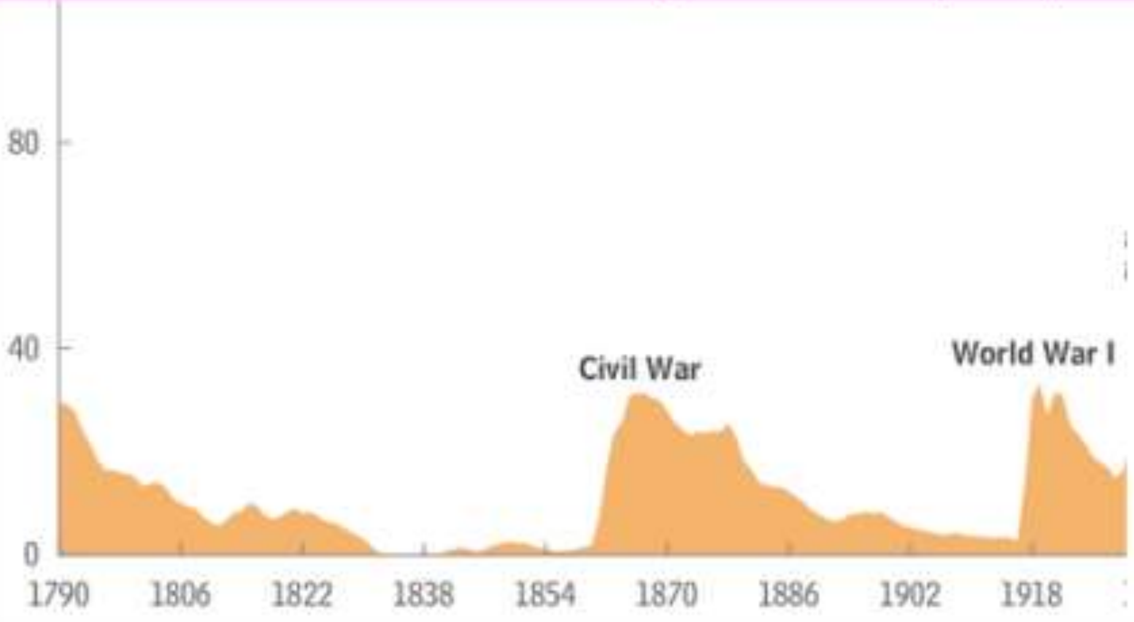
Paul Warburg was not only part of the secret Jekyl Island group that secretly wrote the Federal Reserve law. He later was appointed to its first board of governors from 1914 until 1918, but resigned in 1918.

The German Warburg bank was funding the Kaiser's war, and Max Warburg (Paul's brother) was head of the German secret police.

4. WW I Leaves the U.S. in Serious Debt

One of the primary objectives of the Money Power was achieved –
the U.S. was saddled with an unprecedented debt.

Federal Debt Held by the Public (as a percentage of gross domestic product) from 1790 to 1918



The U.S. government debt after the war was a new record high debt-to-GDP of about 33%, with more than $25 billion in debts, or about $334 billion in today's dollars.

6. The FED Destabilizes America's Money System: 1920-21 Depression

Senator Robert L. Owen, Chairman of the Senate Banking and Currency Committee, testified at the Senate Silver Hearings in 1939 that:

"In the early part of 1920, the farmers were exceedingly prosperous. They were paying off the mortgages and buying a lot of new land, at the instance of the Government--had borrowed money to do it--and then they were bankrupted by a sudden contraction of credit and currency which took place in 1920... Instead of liquidating the excess of credits created by the war through a period of years, the Federal Reserve Board met in a meeting which was not disclosed to the public.

They met on the 18th of May, 1920, and it was a secret meeting... They spent all day conferring; the minutes made sixty printed pages, and they appear in Senate Document 310 of February 19, 1923. The Class A Directors, the Federal Reserve Advisory Council, were present, but the Class B Directors, who represented business, commerce, and agriculture, were not present. The Class C Directors, representing the people of the United States, were not present and were not invited to be present.

Only the big bankers were there, and their work of that day resulted in a contraction of credit which had the effect the next year of reducing the national income fifteen billion dollars, throwing millions of people out of employment, and reducing the value of lands and ranches by twenty billion dollars."

Paul Einzig, *The Fight For Financial Supremacy*, Macmillan, 1931

6. The FED Destabilizes America's Money System: 1920-21 Depression

THE NEXT SERIES OF SLIDES COME FROM THE CONGRESSIONAL RECORD, REPORTING ON THE SECRET MEETING COMPOSED OF THE FEDERAL RESERVE BOARD, FEDERAL ADVISORY COUNCIL AND CLASS A DIRECTORS OF FEDERAL RESERVE BANKS -- WHICH BROUGHT ON THE DEPRESSION OF 1920 →

FOURTH DISTRICT OFFICIAL FAVORED BREAKING DOWN BUSINESS AND BUILDING UP FROM BOTTOM.

"Mr. Robert Wardrop, of the Cleveland Reserve Bank, said: 'I think a reasonable depression in business will be a good thing for the country,' and he added, 'I really think we would do better if we could get down to a lower basis, a different basis, and then from that we can work up again.'

"In other words, it would be a good thing, according to Mr. Wardrop, which was the view of a leading banker we have already quoted, that business should be broken down and then take a fresh start from the bottom. Millions of people who lost by that kind of teaching naturally question its wisdom.

"Mr. Chess Lamberton, of the Cleveland bank, one whom we have already quoted, also classes himself as a 'baby director,' and declined to express any opinion on any of the subjects discussed.

8. What Made the "Roaring Twenties" Roar?

The U.S. government did not fuel the 1920's.

	1920	1929
GOVERNMENT EXPENDITURES (as % of national income)	8%	4%
FEDERAL GOVERNMENT DEBT	24.3 Billion	16.9 Billion

8. What Made the "Roaring Twenties" Roar?

The banks fueled the 1920's:
Banks abandoned 'real bills' policy of commercial loans and financed the financial bubble from 1921 to 1929

LOANS FOR SECURITIES increased 121%

LOANS FOR REAL ESTATE increased 178%

LOANS FOR INVESTMENTS increased 67%

8. What Made the "Roaring Twenties" Roar?

The banks fueled the 1920's

CHASE SECURITIES CO (INVESTMENT CO. FOR CHASE NATIONAL BANK)
Albert H. Wiggin, Chairman, Chase National Bank

"SENATOR ADAMS: Mr. Wiggin, is it not a rather remarkable result in these two [Chase Securities Co] syndicate operations … the stock showed a variation which ran from $483 to over $800?

MR. WIGGIN: Well, you understand, Senator, they did not buy a big amount and then wait till the end. They just traded in and out all the time.

MR. PECORA: … the transactions that were consummated by these two accounts which had the same syndicate members involved buying and selling at virtually the same time… Is that not a scheme for 'churning the market', and producing an activity that would stimulate the prices?

MR. WIGGIN: I think the market was a God-given market.
MR. PECORA: God-given market, did you say?
SENATOR COUZENS: That is a new one.

THE PECORA INVESTIGATION: Stock Exchange Practices and the Causes of the 1929 Wall Street Crash, U.S. Senate Committee on Banking and Currency, 1934

Albert Henry Wiggin
(1868 – 1951)

9. England's Gold Standard Ideology Causes the 1920s Frenzy

England returns to Gold Standard in 1925

"In 1924, with the object of creating money conditions in the international markets favorable to the efforts of Great Britain and a number of lesser European countries to return to the gold standard, the Federal Reserve System embarked on its famous 'easy credit' policy, by reducing the rate at which it lent to member banks (the rediscount rate) and by forcing Reserve Bank credit into the banking system by heavy open market operations.

As a result, between the end of 1923 and the end of 1927, $548,000,000 of Federal Reserve credit had been forced into the banking system by purchases of bills and securities. This amount must be multiplied many times to appreciate its effect on the credit power of the banking system."

Elgin Groseclose, *Money and Man*, p. 220

9. England's Gold Standard Ideology Causes the 1920s Frenzy

England returns to Gold Standard in 1925

The Silliest Show on Earth

"… the Federal Reserve System supported the Bank of England **by keeping interest rates low in America, encouraging the export of gold to Europe**. However, the U.S. money supply became progressively more leveraged, being based on smaller reserves, and the low interest rates helped to fuel the stock market bubble, driving prices up to unrealistic levels, from which a collapse was likely." *Zarlenga, LSM, p. 543*

"In the autumn of 1926 a group of bankers… [met] in a Washington hotel. One asked if the low discount rates of the system were not likely to encourage speculation. 'Yes' replied the famous banker, 'they will, but that cannot be helped. It is the price we must pay for helping Europe.' "

H. Parker Willis as quoted by Mullins, *The Federal Reserve Conspiracy*, p. 95

10. The Fed Concentrates Money in Too Few Hands

After World War I ended,
credit creation (new money) ended up concentrated in the hands of the wealthy.

1929

1% of the population owned 36% of the wealth

10. The Fed Concentrates Money in Too Few Hands

The allocation of loans by commercial banks went disproportionately to speculate on:
1) new stock issues 2) the stock market 3) office building construction

NEW STOCK ISSUES

STOCK MARKET SHARE

OFFICE BUILDING BONDS
1928-1931 CHRYSLER BUILDING
1930-1931 EMPIRE STATE BUILDING

"Between …1921 and …1929, total loans and investments of member banks increased from $24 billion to almost $36 billion. Ordinary commercial loans, which traditionally should form the major portion of the assets of deposit banks, fell from one-half to one-third the total. It is a remarkable fact that these loans were actually less in the boom year of 1929 than in the depression year of 1921 in spite of a rise of nearly 80 per cent in industrial production."

Groseclose, *Money and Man*, p. 222

10. The Fed Concentrates Money in Too Few Hands

New Stock Issues Speculation

NEW STOCK ISSUES

Commercial banks were key to the issue of new stock in the following ways:

1. Loaned short-term to corporations planning to expand with new stock issues
2. Loaned to investment bankers, against the deposit of other securities held by the investment banker, the sum necessary to purchase the issue of stocks, and is repaid upon their sale
3. Loaned to investor (or his broker) the money to purchase the new issues, secured by the deposit of the purchased securities.

AVERAGE ANNUAL VOLUME OF NEW STOCK ISSUES*

YEARS	AVERAGE
1920-1924	4.3 Billion $
1925-1929	7.7 Billion $
1929 alone	10.0 Billion $

"Not only did the commercial banks assist the process of security speculation by financing the investment banker and the pseudo-investor, but they purchased large blocks of bonds outright. ..Between 1921 and 1929, member banks' holdings of securities, aside from United States Government securities, increased from $3,507,000,000 to $5,921,000,000. The result was to convert many a bank from the status of a commercial credit institution to that of an investment company."

*Elgin Groseclose, *Money and Man*, pub. 1934, p. 224

1. THE DEPRESSION: -- The Crash

"… the crash made clear to virtually everyone that 'capitalism,' to the extent it was defined by the American political, economic and market system, had fundamentally failed.

That is the history we have been in the process of unlearning; it is the history that we appear doomed to repeat once more." Zarlenga, *LSM*, p. 548

CAPITALISM IS ALSO A MONETARY SYSTEM – THE DEBT-MONEY SYSTEM.

1. THE DEPRESSION - Money Supply Plunges

Throughout their analysis, Friedman & Schwartz divided the money stock of banks into two major components:

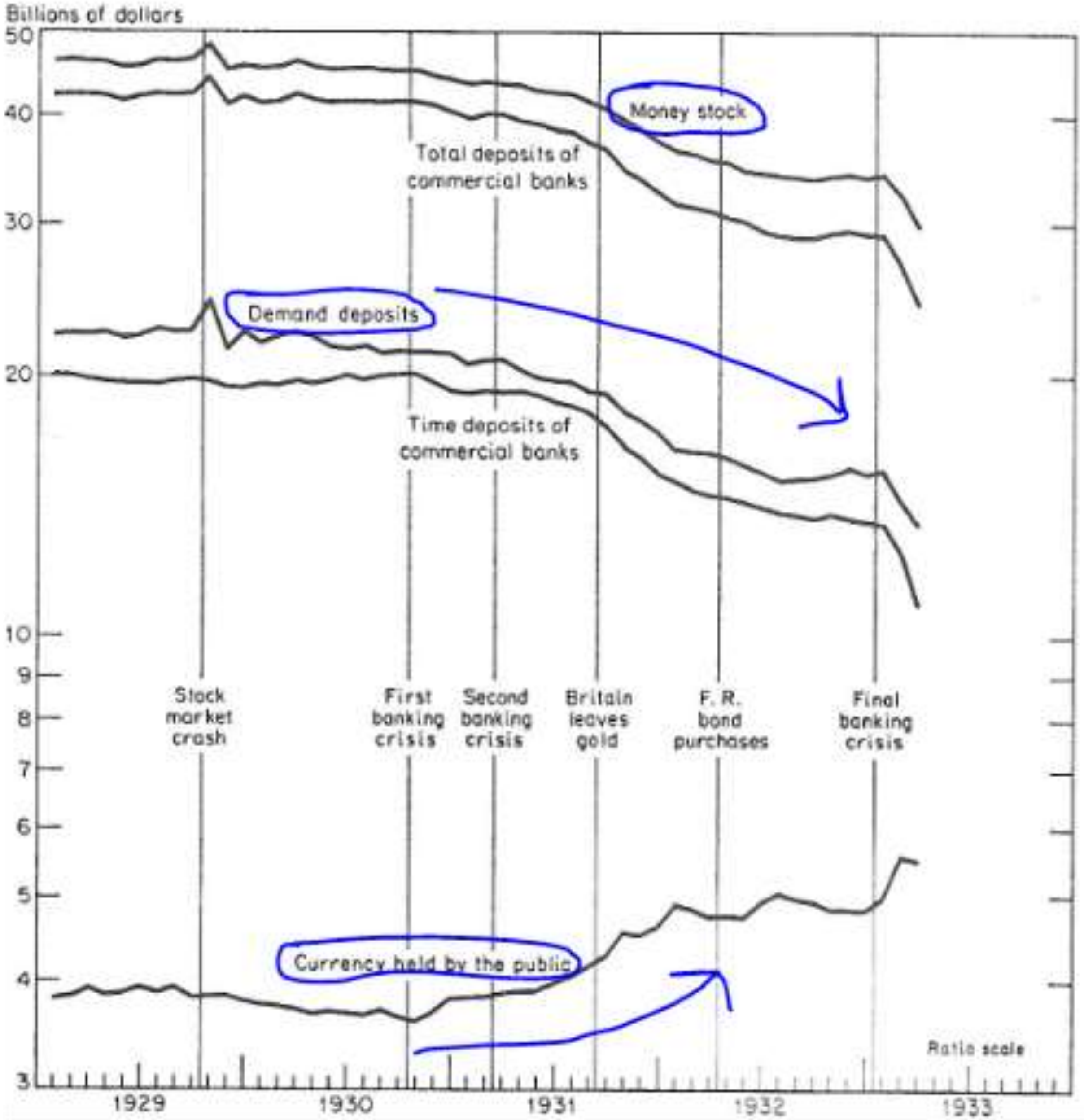
CURRENCY and DEPOSITS held by banks

"From the cyclical peak in August 1929 to the cyclical trough in March 1933, the stock of money fell by over a third. "

Friedman & Schwartz, p. 299

CHART 27

Money Stock, Currency, and Commercial Bank Deposits, Monthly, 1929–March 1933



1. THE DEPRESSION - Money Supply Plunges

"The really crucial data – the money supply figures – were not being watched at the time. In fact, the figures were not being published in a timely way and were not readily available."

Zarlenga, *LSM*, p. 548

"The contraction is in fact a tragic testimonial to the importance of monetary forces."

"…it is hardly conceivable that money income could have declined by over one-half and prices by over one-third in the course of four years if there had been no decline in the stock of money."

Friedman & Schwartz, pp. 300-301

1. THE DEPRESSION - Money Supply Plunges

THE FIRST BANKING CRISIS, OCTOBER 1930

"In October 1930, the monetary character of the contraction changed dramatically…

A crop of bank failures, particularly in Missouri, Indiana, Illinois, Iowa, Arkansas, and North Carolina, led to wide-spread attempts to convert demand and time deposits into currency, and also, to a much lesser extent, into postal savings deposits.

A contagion of fear spread among depositors, starting from the agricultural areas, which had experienced the heaviest impact of bank failures in the twenties. But such contagion knows no geographical limits." Friedman & Schwartz, p. 308

1. THE DEPRESSION - Money Supply Plunges

THE FIRST BANK FAILURES, OCTOBER 1930
NO RESTRICTION OF COVERTING DEPOSITS INTO CURRENCY!

"…Under the pre-Federal Reserve banking system, the final months of 1930 would probably have seen a restriction… of convertibility of deposits into currency…

… restriction would almost certainly have prevented the subsequent waves of bank failures that were destined to come in 1931, 1932, and 1933, just as restriction in 1893 and 1907 had quickly ended bank suspensions arising primarily from lack of liquidity."

Friedman & Schwartz, p. 311

During the early years of the Great Depression, runs on deposits forced hundreds of banks throughout Pennsylvania to liquidate their affairs and close their doors. Allentown lost six of its ten banks, and in Philadelphia more than fifty banks, most of them small, also failed, taking with them all of their depositors" savings.

Run on the Erie National Bank
Sixth and Erie Avenue
Philadelphia, PA, 1931.

1. THE DEPRESSION - Money Supply Plunges

THE SECOND BANKING CRISIS – MARCH, 1931
THE PUBLIC RESUMED WITHDRAWING CASH

“From March on, the public resumed converting deposits into currency, and from April on, banks started… liquidating available assets in order to meet both the public’s demand for currency and their own desire for liquidity…

Currency was being withdrawn internally by depositors justifiably fearful for the safety of banks, and gold was being withdrawn externally by foreigners fearful for the maintenance of the gold standard.”

Friedman & Schwartz, p. 313

BANK MONEY STOCK PLUMMETED: bank currency and deposits down.

As the stock of money declined, the prices of goods necessarily followed.
Deflation caused bankruptcies, unemployment, hunger, and human misery.

1. THE DEPRESSION - Hoboes

To support the family and decrease the financial burden, many teenagers left their home and hopped onto freight trains. They were called hoboes and they said they “ride the rails”... They made shelters with cardboard boxes, branches, and abandoned stuffs. In the camp, they shared food and slept.

... shacks were built near a town dump to make it easier to find food, clothes, and trash. They named themselves Hoovervilles because many people thought President Herbert Hoover didn’t try hard enough to solve the economic difficulties.

1. THE DEPRESSION – In the South

The Great Depression ... hit the South hard. A report by the federal government described the South during the Depression as a "belt of sickness, misery, and unnecessary death." Out of 140,000 school children examined in 41 Carolina counties, 23,000 were malnourished.

During the Great Depression, Americans wondered how so many people could be hungry when the country's farmers were producing so much food. North Carolina's farmers were producing plenty of so-called "cash crops" like cotton and tobacco, but they were not making enough money from these crops to afford food. Food was available and cash crops were being grown, but many people simply could not afford it. Between 1929 and 1932, the total amount that North Carolinians made from agriculture plummeted from $310.5 million to less than half that, $144.3 million. With too much cotton and tobacco and too little money to buy food, one government study reported that "too many southern families have simply done without, and as a result they have suffered severely from malnutrition and dietary diseases."

One of these diseases was pellagra, a devastating condition resulting from a chronic lack of niacin (vitamin B_3). Pellagra caused a person's skin to crack and boil up in a similar fashion to leprosy, and victims eventually succumbed to dementia and death. "The scourge of pellagra," wrote government officials, "that affects the South almost exclusively, is a disease chiefly due to inadequate diet; it responds to rather simple preventative measure, including suitable nourishing food."

http://history.ncsu.edu/projects/ncsuhistory/nceats/exhibits/show/consumerism/section2

2. REACTIONS - The Bankers Didn't Help End the Depression

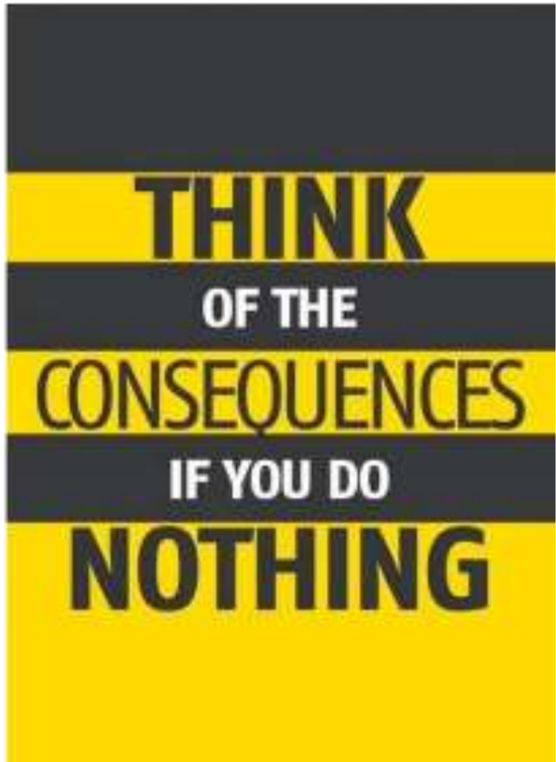
The FED would not create reserves!

#1 <u>The Fed was not set up to serve the nation</u>

"... it was not really set up to serve the nation's monetary needs. ... The privately owned Fed was designed and set up to promote the short term profits of the largest bankers, while taking minimal risks... In the Great Depression the bankers demonstrated that they felt little or no responsibility towards the American people whose financial lives they controlled."
Zarlenga, *LSM*, p. 552

"The System's holdings of government securities plus bills bought were nearly $200 million lower at the end of July 1930 than they were at the end of December 1929." Friedman & Schwartz, p. 375

The Fed was not buying securities in the open market to create reserves!



The Free Market Ideology Dominated the 1920's

(1)

2. REACTIONS - The Silent Economists

"One can read through the annual Proceedings of the American Economic Association or of the Academy of Political Science and find only an occasional sign the academic world even knew about the unprecedented banking collapse in progress, let alone that it understood the cause and the remedy."

Friedman & Schwartz, p. 115

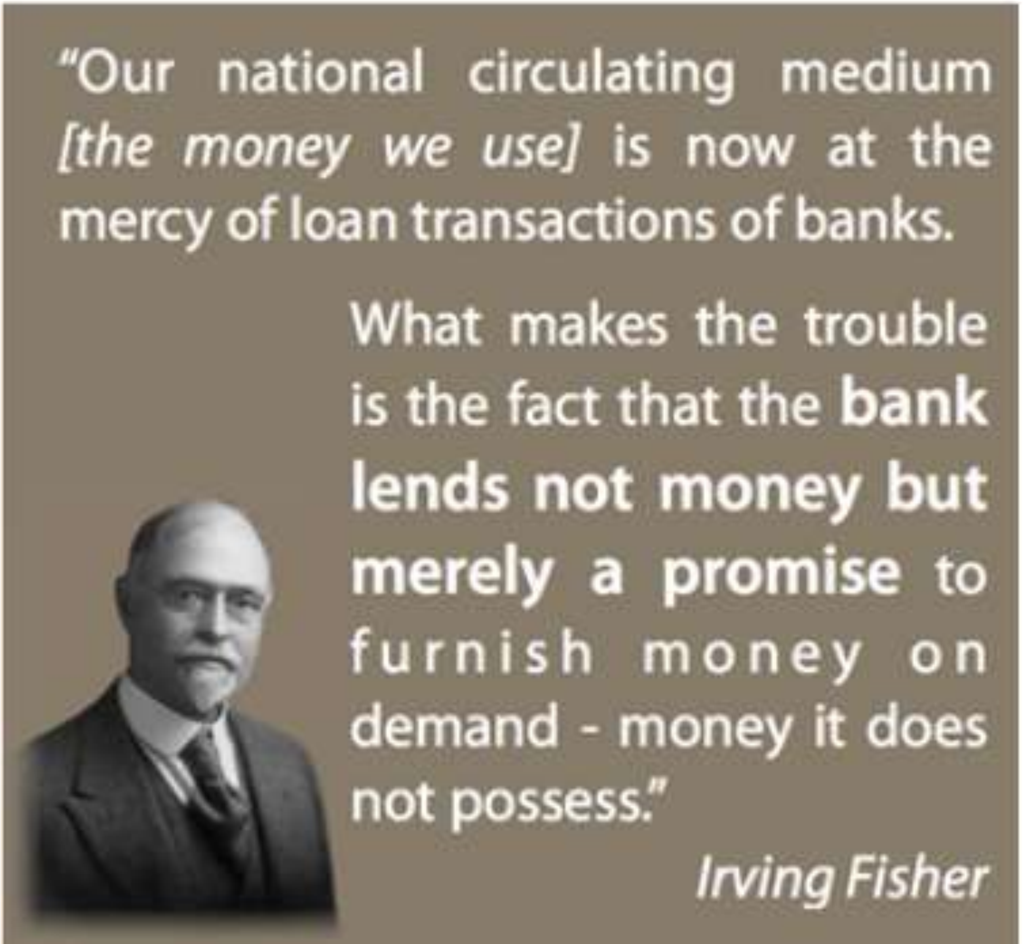
"That climate of intellectual opinion helps to explain why the behavior of the Federal Reserve System from 1929 to 1933 was not checked or reversed by vigorous and informed outside criticism."

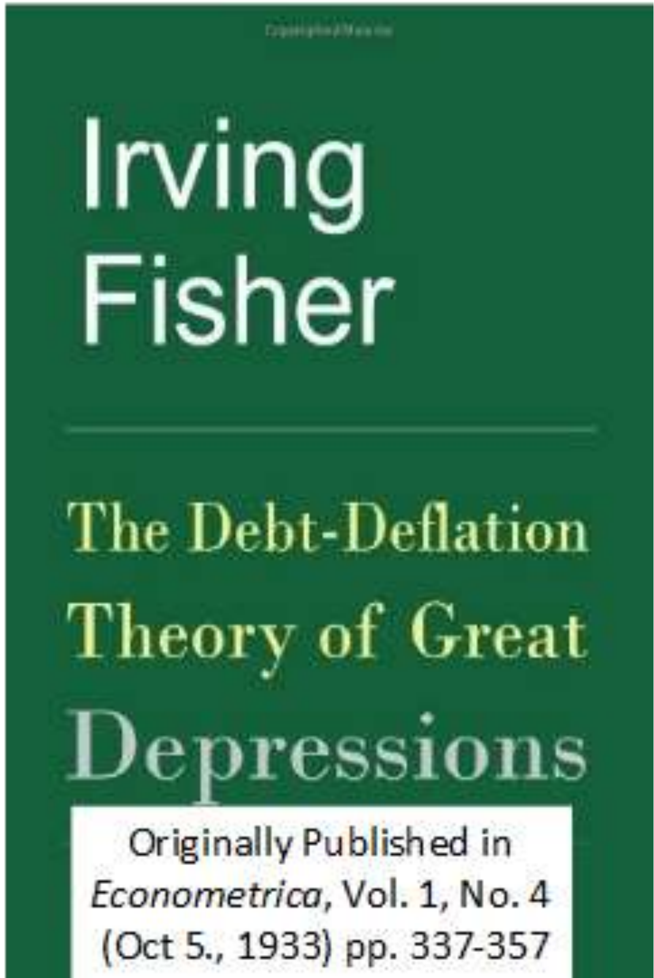
Friedman & Schwartz, p. 115

2. REACTIONS - Some Economists Understood - Irving Fisher

"…over-investment and over-speculation are often important; but they would have far less serious results were they not conducted with borrowed money…

…if debt and deflation are absent, other disturbances are powerless to bring on crises comparable in severity to those of 1837, 1773, or 1929-33." Irving Fisher, *The Debt-Deflation Theory of Great Depressions*, p. 9





2. REACTIONS
Following Adam Smith to the Doors of Hell

ADAM SMITH'S FALSE ECONOMIC CONCEPTS WERE DANGEROUS TO THE NATION

Robert De Fremery, Money and Freedom, pub. 1957, p. 61:
"The orthodox banking theorists took the stand that a liquidation of bank credit would be a 'wholesome' thing… But obviously a contraction of the supply of money is not a wholesome thing in terms of the effect it has on human beings."

Bernard Baruch advised President Roosevelt to "…balance the budget and let nature take its course." Roosevelt, fortunately, did not take Baruch's advice.

Bernard Mannes Baruch
(1870 – 1965)

Franklin D. Roosevelt in 1933
President, 1933-1945

4. KEYNES TO THE RESCUE?

"Keynes was therefore not 'revolutionary' except in relation to the utter backwardness of the financial establishment and their economists."

Stephen Zarlenga, *LSM*, p. 555

"He did not come close to a real solution. That would have been another issue of Greenbacks, through which the U.S. government would have taken back the monetary power from those who had abused it."

Stephen Zarlenga, *LSM*, p. 555

THE AMERICAN GREENBACK

4. KEYNES TO THE RESCUE?

The debate over Keynesianism is another false monetary debate…

"The real question has always been whether the nation's money should be created under law, by government, or under the private caprice of bankers."

Stephen Zarlenga, *LSM*, p. 555

5.FINANCIAL LOSSES: The Wreckage of the Economy

BANK FAILURES WERE THE MAIN CAUSE OF THE DECLINE IN THE MONEY STOCK
THIS BROUGHT ON THE GREAT DEPRESSION

COMMERCIAL BANK SUSPENSIONS

YEAR	# SUSPENSIONS
1930	1,350
1931	2,293
1931	1,453
1933	4,000

"The losses of depositors of the 9,000 American banks that suspended operations during the four years from 1930 through 1933 were $2.5 billion." Zarlenga, *LSM*, p. 556

This was the cause of the decline of money stock and thus the cause of the Great Depression.

"Though losses on stocks were 34 times the losses on bank deposits, it was the banking and money system that had caused the debacle." Zarlenga, *LSM*, p. 556

"But the financial losses can't measure the full cost of the lives damaged or destroyed in the depression."
Zarlenga, p. 556

8. AT LEAST THE GOVERNMENT ACTED !

MONETARY POWER SHOULD ALWAYS RESIDE IN THE GOVERNMENT

The cause of the Great Depression was monetary and its solution needed to be monetary.

Because monetary control was exercised by the private Federal Reserve System, the government had to “borrow money” created by the Federal Reserve System to pay for its programs, instead of creating money itself.   But at least the government acted!

1. Another Greenback is Needed

ECONOMISTS WERE UNAWARE OF THE HISTORY OF GREENBACK DEBT-FREE MONEY

John Maynard Keynes had a small excuse for his ignorance of government money – England had hardly any history of it since 1694.

Because of the “purposeful neglect of the historical study of economics and economic thought, most of them were (and still are) as ignorant of the history of the Greenbacks as the English economists are.”

Zarlenga, p. 560

1. Another Greenback is Needed

BUT NOT ALL AMERICAN ECONOMISTS WERE IGNORANT

The CHICAGO PLAN was a banking reform for full-reserve banking, suggested by University of Chicago economists in the wake of the Great Depression. A six-page memorandum was given limited and confidential distribution to about 40 individuals on March 16, 1933; it was also given to President Roosevelt as a way to reform the fractional reserve system with full reserves, doing away with private, debt-money creation. The plan was supported by such notable economists as Frank Knight, Lloyd W. Mints, Henry Schultz, Henry Simons, Paul Douglas and more.

Full reserve banks are required to keep the full amount of each depositor's funds in cash, ready for immediate withdrawal on demand.

Today's plan for
full reserve banking….
THE CHICAGO PLAN REVISITED

Under the present system banks do not have to wait for depositors to appear and make funds available before they can on-lend, or intermediate, those funds. Rather, they create their own funds, deposits, in the act of lending. This fact can be verified in the description of the money creation system in many central bank statements, and it is obvious to anybody who has ever lent money and created the resulting book entries.

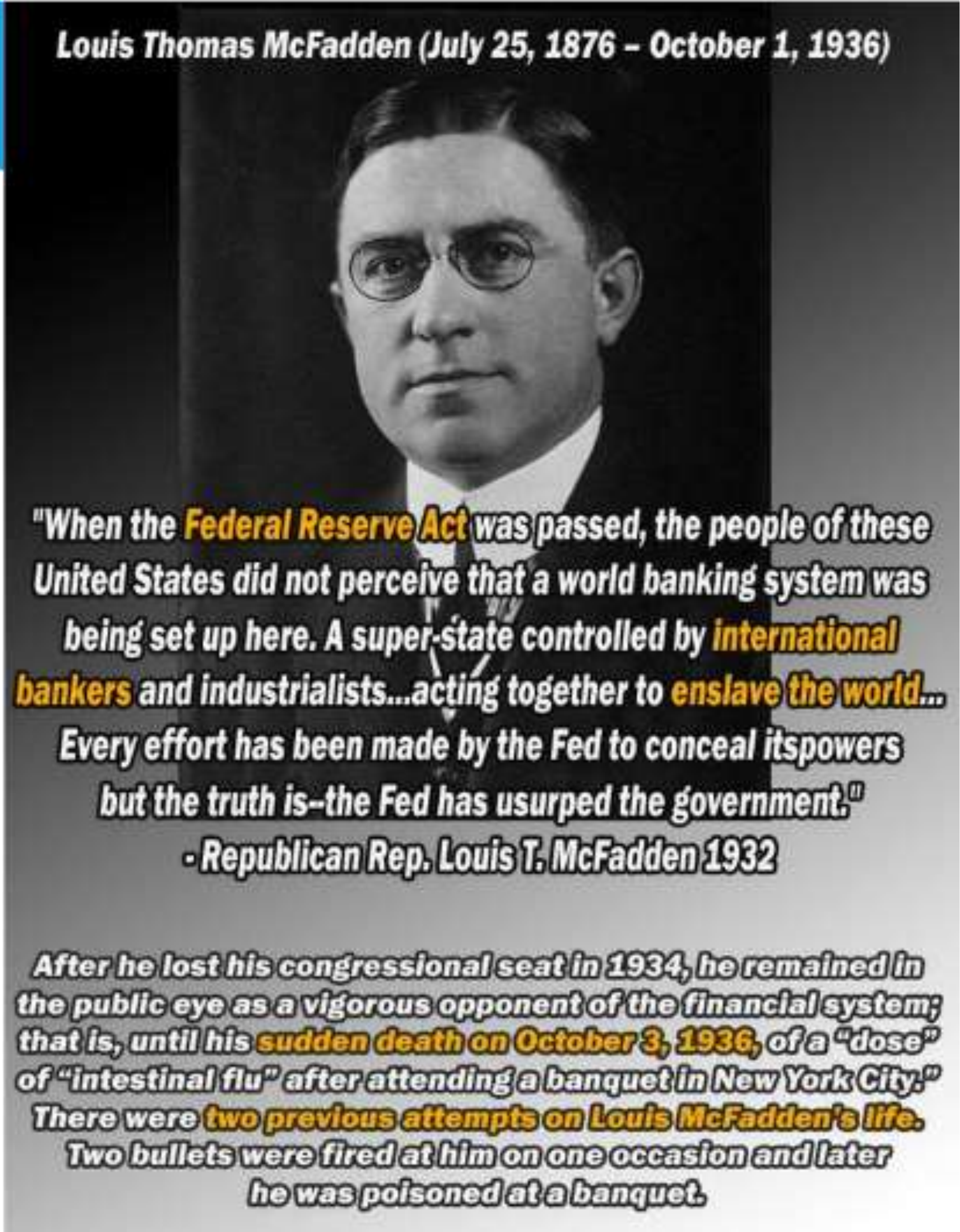
1.McFadden Charges the Federal Reserve with Treason

May 23, 1933 – Rep. McFadden presented a list of charges against the Federal Reserve Board and Banks officers, asking for an investigation and their impeachment. The last charge was:

"Whereas I charge them, jointly and severally, with the crime of having treasonably conspired and acted against the peace and security of the United States, and with having treasonably conspired to destroy constitutional government in the United States…"

President Jackson, in his age, had called them a "den of vipers".

Louis T. McFadden
Representative 1915-1935



7. Aftermath - Propaganda to Resurrect Capitalism's Moral Standing

BLAME THE GOVERNMENT

"Decades later, when many participants and memories were dead, concerted attempts began by a cabal of economists and financiers to shift blame for creating and prolonging the depression away from the financiers and the Federal Reserve System and onto the government."

Zarlenga, LSM, p. 567

Alan Greenspan used the Conservative's basic ploy – blaming the evils of the private Federal Reserve System on government:

"And so the Federal Reserve System was organized in 1913. It consisted of twelve regional Federal Reserve banks nominally owned by private bankers, but in fact government sponsored, controlled, and supported."

"Gold & Economic Freedom", in Ayn Rand, *Capitalism The Unknown Ideal*, pub. 1967

"This false view ignores the attempts of several past Democratic Chairmen of the House Banking Committee to pass laws to nationalize or do away with the Federal Reserve System… if the Fed is already a government entity, these economists shouldn't mind too much when it gets nationalized!"

Zarlenga, *LSM*, p. 567

1. INTRODUCTION
PRIVATE MONEY ATTACKS GOVERNMENT

"The German hyper-inflation is used to promote the idea that only private bankers can be trusted to control society's money system… When the monetary facts are actually examined, it becomes clear that these private banking elements were deeply involved in the speculation that helped to bring down the Reichsmark… This was not stopped until the government repeatedly took decisive action against them." Zarlenga, *LSM*, p. 575

3. ZIMMERN'S 'THE ECONOMIC WEAPON': THE ECONOMIC SIEGE

Zimmern -- concerning the end of World War 1 and the 'peace':

"But without raw materials there can be no industrial employment; and demobilization without employment ready to hand for the disbanded soldier spells social disorder…"

"The whole civilized world will be faced… with the prospect of a shortage, if not a famine… some will have to go short. Who more naturally than Germany?… It will come about almost of itself unless special provision is made in the peace."


FINAL NEWS EDITION

NEW YORK JOURNAL

FINAL NEWS EDITION

GERMANY GIVES UP; WAR ENDS AT 2 P.M.

SMITH WINS BY 19,000 IN LATEST

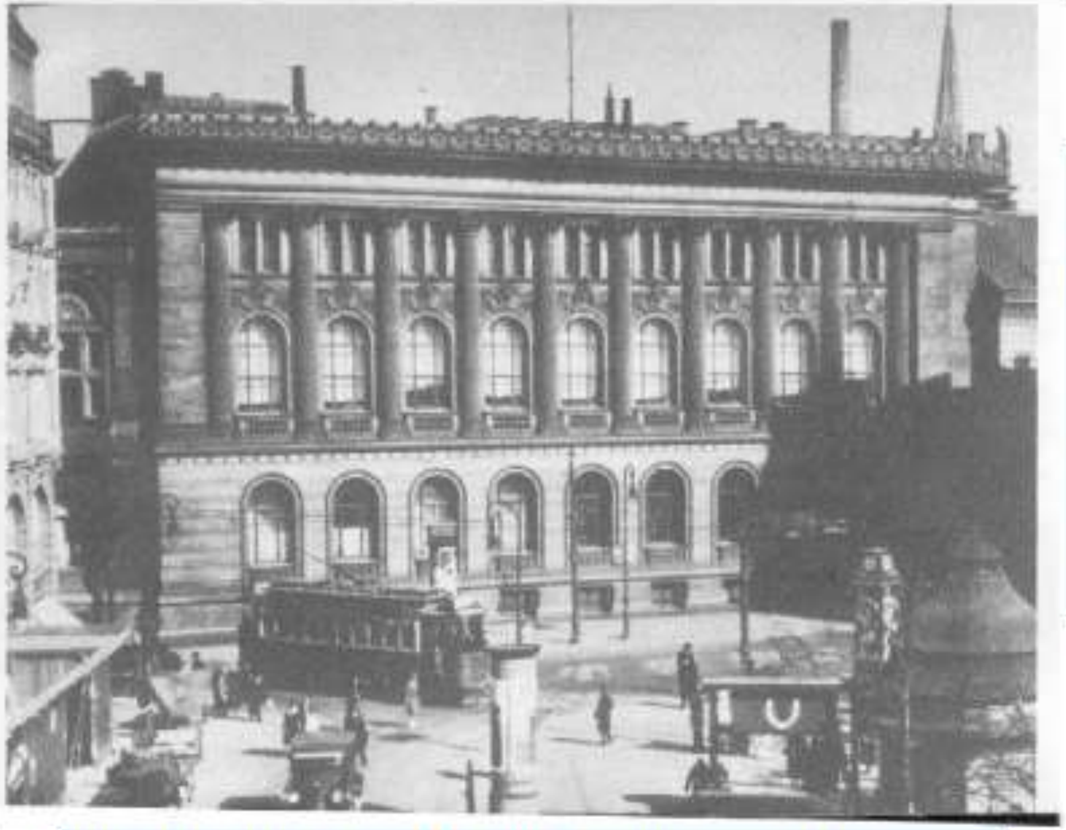
VIEW OF KIEL AND HARBOR

HOSTILITIES CEASE; TRUCE IS SIGNED AT 11 A. M.

5. GERMANY'S 1923 HYPER-INFLATION BY A PRIVATE CENTRAL BANK

This hyperinflation is used to blame government, implying the government was responsible for the actions of the Central Bank.

<u>But the Central Bank by 1922-23 was controlled by private bankers.</u>



REICHBANK, GERMAN'S CENTRAL BANK, 1924

"The foreign experts delegated by the League of Nations to guide the economic recovery of Germany wanted a more free-market orientation for the German central bank." Zarlenga, *LSM*, pp. 579-580

"On May 26, 1922, the law establishing the independence of the Reichsbank and withdrawing from the Chancellor of the Reich any influence on the conduct of the Bank's business was promulgated."
Hjalmar Schacht, *Stabilization of the Mark*, 1927, pp. 46-51

7. CAUSE OF THE INFLATION: SCHACHT TELLS THE TRUTH

CURRENCY SPECULATION ON A LARGE SCALE SHOULD NOT BE LEGITIMATE:
THE SPECULATOR IS 'CREATING MARKS' BY SELLING SHORT
(SELLING WHAT HE DOES NOT HAVE)

THIS DRIVES THE VALUE OF THE CURRENCY DOWN

THE SPECULATOR CAN THEN BUY IT BACK CHEAPER,
PAY BACK HIS MARGIN LOAN,
AND POCKET THE PROFIT

"This kind of currency speculation is at the expense of the producers and working people whose lives and enterprises are dependent on that currency…

Currency speculation in such large amounts should be viewed as a form of aggression, no less harmful than dropping bombs on the country in question." Zarlenga, *LSM*, p. 581

7.CAUSE OF THE INFLATION: SCHACHT TELLS THE TRUTH

'Thus it was a privately owned and privately controlled central bank, that made loans to private speculators, enabling them to speculate against the nation's currency."

Zarlenga, *LSM*, p. 587

Charliepet
www.delcampe.net

4. But Feder Money Worked Well

"Thus Germany did not take the full step and create a German equivalent to the American Greenback. The Greenbacks themselves were money, had no interest payments due on them and did not add to any national debt. These German infrastructure bills were a form of debt certificate, promising to pay money; they paid interest and did add to Germany's national debt."

Zarlenga, *LSM*, p. 595

[Unemployed Men Standing in Front of the Berlin Employment Office (June 22, 1933)]

7. Schacht Fired Over These Matters

"As soon as full employment had been reached [1937], every further granting of credit could only lead to an excess in the circulation of money and to a rise in the price level, and thus to inflation."

Hjalmar Schacht, *The Magic of Money*, p. 114

"…Hitler used these means to produce yet more weapons of war… the MEFO bills were now honoured when they became due, but only with the inflated money produced by the printing presses. The second inflation had begun."

Hjalmar Schacht, *The Magic of Money*, p. 117

"In the first days of January 1939, the Reichsbank handed Hitler a memorandum in which it indicated its refusal to grant the Reich any further credits. The consequences were drastic.

On 19 January I was dismissed from my office as president of the Reichsbank with immediate effect.

8. The American Professors Attack

POST-WAR INTRODUCTION OF THE DEUTSCH MARKS

The initial allotment of Deutsch Marks being handed out at a disbursement site in a Carmelite school in Munich.

"In 1948 a number of American professors were given the task of devising a so called currency reform... All old notes and coins lost their validity. Everyone received an amount of DM 40 in the new money, and employers received DM 60 for each employee... All money claims and thus also all bank deposits, savings, etc were reduced to a tenth of their nominal amount, without any regard to their economic or social significance...

It was a completely arbitrary redistribution of wealth without any social or economic foundation, the height of injustice. Against this, shares, properties, and other material assets remained undiminished in the hands of their owners. Their fortunes were left intact... they were the rich.

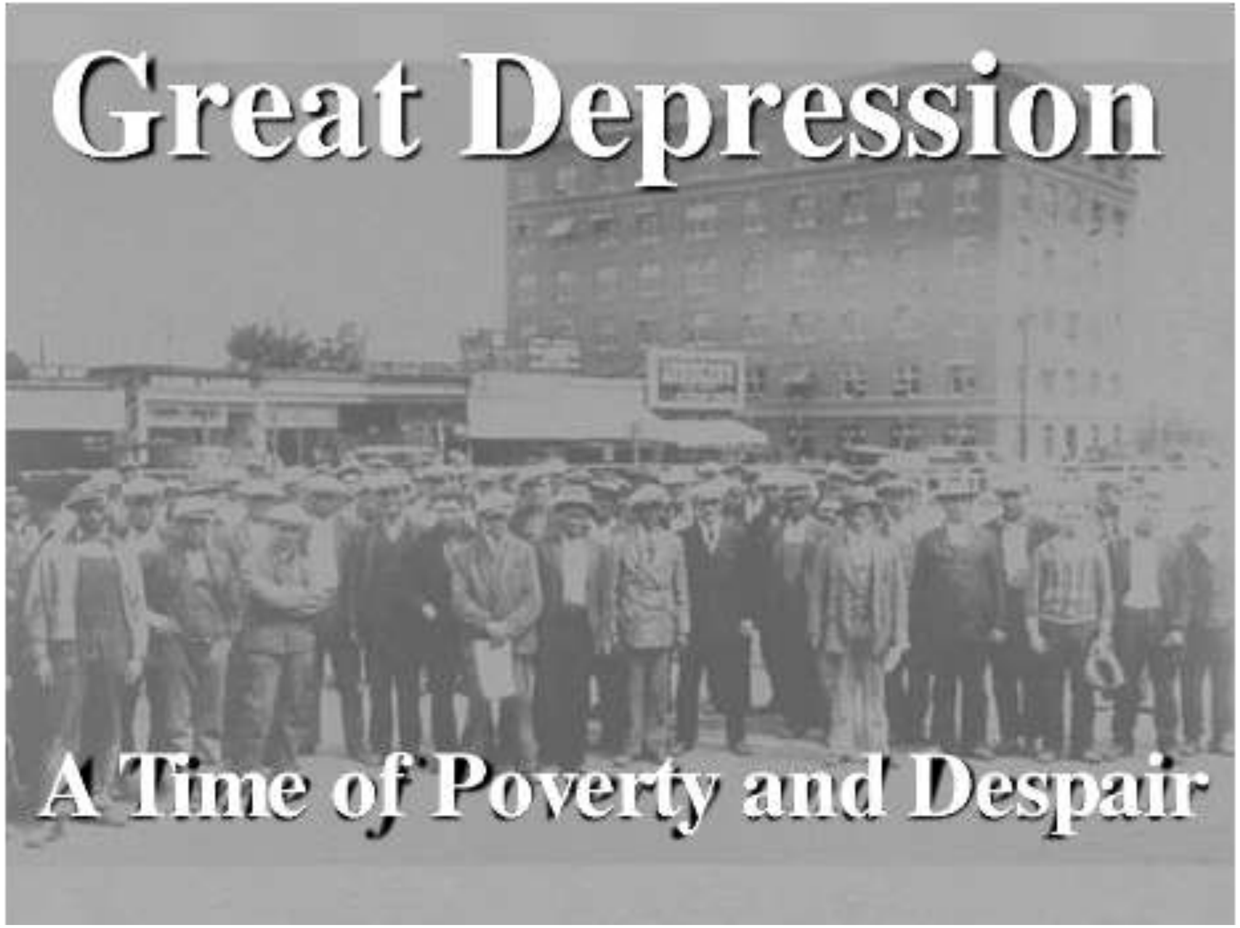
This transmogrification was... more diabolic in its results than the inflation of 1923."

Hjalmar Schacht, *The Magic of Money*, p. 121

1. Introduction

The development of international monetary institutions has been made difficult by the "near religious enthronement of the international gold standard in the 19th and early 20th centuries. Since the system was advertised as 'automatic,' little need was recognized (except by those who ran it) for organizations or government to administer it."

Zarlenga, *LSM*, p. 603-604



"The worse such breakdown, the Great Crash and Depression of 1929-33...can be traced directly to England's gold standard moves from 1925 to 1931.

China was not on the gold standard and was hardly affected at all by the Great Depression."

Zarlenga, *LSM*, p. 604

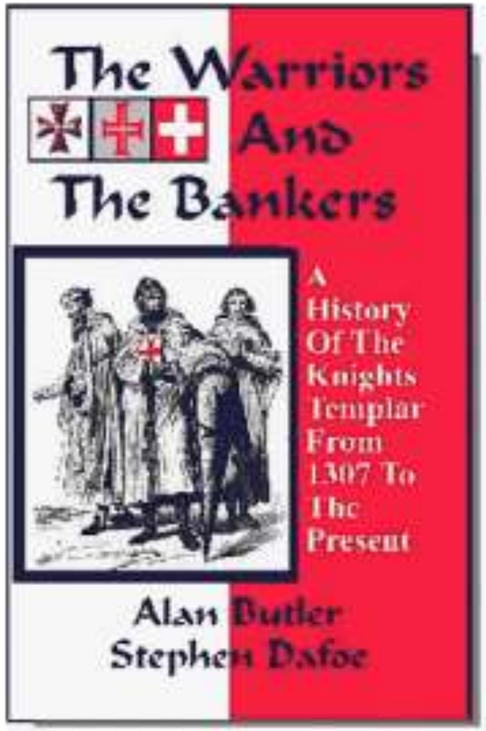
3. Earlier Examples of International Payments

Egypt had a central banking system transferring payments through branches in various cities.

Medieval Trade Fairs cleared bookkeeping payments for merchants from many countries and other trade fairs.

Roman Forum

Rome never used a central banking system. International trade was carried on in kind, or transported gold and silver.



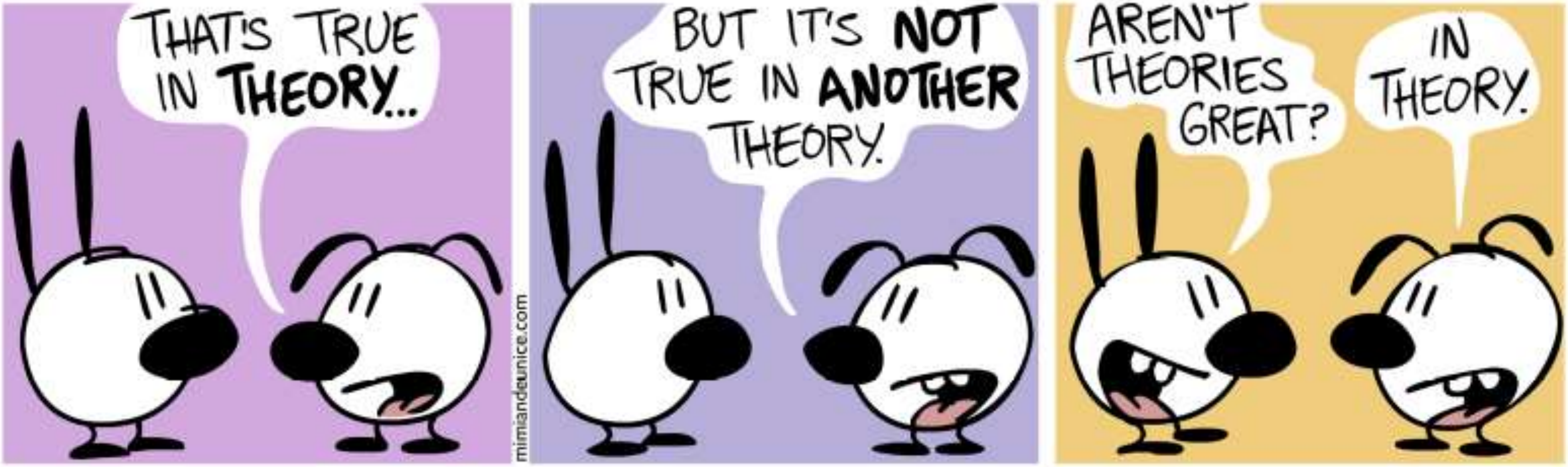
The Knights Templars cleared payments across borders using the balancing of debits and credits. They did not ship metals.

4. The International Gold Standard, 1860-1931: THE THEORY

The Theory was Based on a False Concept of Money's Nature

The theory had to be altered when it did not work as expected:

- when high prices went with high exports
- when levels of bank credit were increased to make up for gold exports
- the market value of gold itself varied
- legal actions affected the value of gold



5. The Gold Standard Gives Foreign Bankers Local Control

"There is one indisputable aspect of the international gold standard that economists recognized but ignored: the control of a country's internal credit policy – whether there would be contraction or expansion – was ultimately in the hands of those who could move gold into or out of the nation... forces outside the country could quietly bring on a depression and thereby a (likely) change of government within the country."

Zarlenga, LSM, p. 606

6a) 1930: BIS
World War I Leads to the Bank for International Settlements

- First truly international monetary organization
- BIS is chartered by Switzerland, but is under international law, not Swiss law
- BIS' purpose was (1) to reduce the actual gold shipments between members by balancing drs and crs and (2) to help members go back to the gold standard
- FUNDERS/FOUNDERS:

  6 central banks and 3 private U.S. international banks – each got 16,000 shares of the bank:

Belgium	
France	**J.P. Morgan & Company**
Germany	**First National Bank of New York**
Italy	**First National Bank of Chicago**
Japan	
United Kingdom	

First building of the BIS (1930-77): the former Hotel Savoy-Univers in Basel, Switzerland

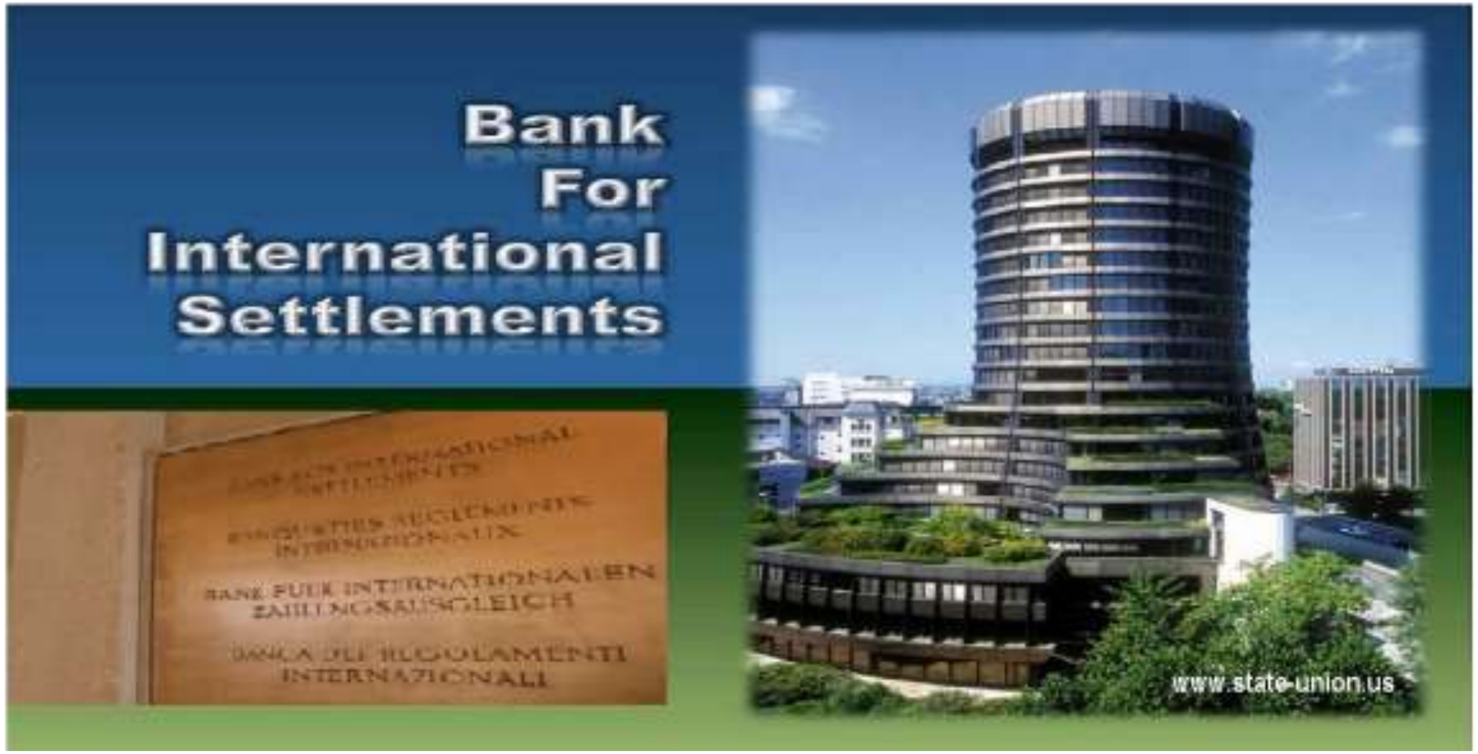
6a) 1930: BIS

World War I Leads to the Bank for International Settlements

Constituent Charter of the Bank for International Settlements (of 20 January 1930)

Some immunities given to BIS by its Swiss charter:

> The Bank shall be exempt and immune from all taxation.
>
> The Bank, its property and assets and all deposits and other funds entrusted to it, shall be immune in time of peace and in time of war from any measure such as expropriation, requisition, seizure, confiscation, prohibition or restriction of gold or currency export or import, and any other similar measures.



6a) 1930: BIS

World War I Leads to the Bank for International Settlements

"… bankers and politicians insisted that the old prewar [WW1] system should be restored… to restore the gold standard as it had existed in 1914.

In addition to these pragmatic goals, the powers of financial capitalism had another far-reaching aim, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole. This system was to be controlled in a feudalist fashion by the central banks of the world acting in concert, by secret agreements arrived at in frequent private meetings and conferences. The apex of the system was to be the Bank for International Settlements in Basle, Switzerland, a private bank owned and controlled by the world's central banks which were themselves private corporations."

Carroll Quigley, *Tragedy and Hope: A History of the World In Our Time*, pub. 1966, pp. 323-324

Central Bankers Hjalmar Schacht (Reichsbank) and Montagu Norman (Bank of England)

First unofficial meeting of the BIS Board of Directors in Basel, April 1930

6b) Ownership and Control of the BIS

Organizational Structure

As of March 2006, the BIS had 55 shareholding central banks from around the world. As of March 2006, the Bank's assets were approximately $221 billion, including $5.8 billion of its own funds.

When the BIS initially raised capital, participating banks were given the option to buy BIS shares or arrange for those shares to be bought by the public. Currently, 86 percent of the shares of the BIS are registered in the names of central banks, and 14 percent are held by private shareholders. The shares owned by private shareholders consist of part of the French and Belgian issues and all of the shares that were in the original U.S. issue in 1930.

All shareholders receive the Bank's dividends. However, private shareholders do not have voting rights or representation at the BIS annual meetings. Only a country's central bank or its nominee may exercise the rights of representation and voting.

From the website of the New York Federal Reserve Bank

WHO OWNS THE BIS?

WHO OWNS THE CENTRAL BANKS?

WHO ARE THE OWNERS OF THE CENTRAL BANKS?

6c) History of the BIS

The original reasons for the founding of the bank disappeared:

- countries went off the gold standard (1930's)
- German WW1 reparations were buried at the League of Nations in Geneva

During WW2:

- July 1944 - The UN Conference in Bretton Woods agrees to the creation of the International Monetary Fund and the World Bank; it also adopts Resolution V calling for the liquidation of the BIS at "the earliest possible moment"
- May 1948 – Washington Agreement: the BIS reimburses looted gold it had inadvertently received from the German Reichsbank during the war to the Allied Tripartite Commission. The Bretton Woods resolution calling for the liquidation of the BIS is put aside.

1961+

- the BIS coordinated the "Gold Pool" whose members contributed gold to keep the US dollar redeemable at $35/ounce
- 1967 – France pulled out
- 1968 – the Gold Pool collapsed

2001+

- the BIS bought the outstanding shares held by all private shareholders

6e) Money Creation Powers of the BIS

The BIS is not a bank of issue. It does not create credits for its central bank depositors.

BIS promotes itself as an important meeting place for central bankers.

> "In the 1988-1992 period, it fostered an international agreement on how to evaluate the adequacy of a bank's capital and set minimum requirements that internationally operating banks are expected to follow [Basel Framework]. These 'regulations' are now having a greater effect on how banks operate than is realized – arguably more than local regulators have." Zarlenga, *LSM*, p. 608

BIS devotes a significant effort to research and statistical work in the area of international loans.

BIS services its central bank depositors. There are now 41 central banks in BIS.

CENTRAL BANKERS SUPPORT THIS SYSTEM

← central bank heads

← salaries

7. 1944: BRETTON WOODS –
Keynes' Alternative to Our Current System

At Bretton Woods, John Maynard Keynes put forward a scenario for international trade that would structure BALANCED TRADE, involving a neutral international currency, "The Bancor".

"He proposed that nations with a trading surplus should be required to spend any annual monetary balance they obtained back in the economies of nations with a trade deficit; failure to do this would lead to those creditor nations forfeiting part of their deposits with the World Bank. HAD THIS BEEN THE POLICY OF THE WORLD BANK AND THE IMF, AND HAD THIS PRINCIPLE GOVERNED INTERNATIONAL TRADE, THERE WOULD BE NO THIRD WORLD DEBT TODAY [all caps not the authors']"

Michael Rowbotham, *The Grip of Death*, pub. 1999, p. 242

7. 1944: BRETTON WOODS – Keynes' Alternative to Our Current System

"But it was the official American policy which prevailed and set the terms under which the World Bank, the IMF, international trading and financial settlements of trading should operate."

"However, the American delegation lead by Harry Dexter-White presented a counter-plan, in which trade between nations would be based upon national currencies involving a system of fixed exchange rates. The American delegation also pushed for free world trade and a centre-stage role for the new monetary authorities. Critically, under the American proposal, there was to be no obligation on nations gaining revenues from an export surplus to spend them back in countries which had a trade deficit. The creditor countries would *lend* [italics is Rowbotham's] this money to debtor nations, via the IMF and World Bank."

"The American proposal meant that an imbalance of trade and money could develop, and lead to permanent debt between nations, and permanent debt to the World Bank and the IMF."

Michael Rowbotham, *The Grip of Death*, pub. 1999, p. 242

Harry Dexter White (1892 – 1948) – American economist and senior U.S. Treasury Dept. official

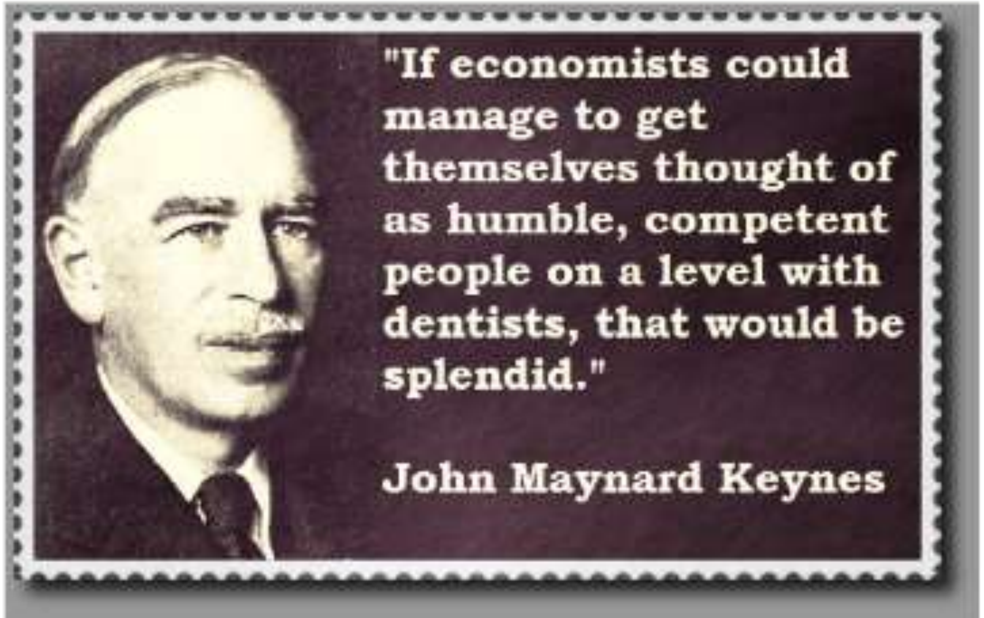
John Maynard Keynes (1883 – 1946)

7. 1944: BRETTON WOODS – Keynes' Alternative to Our Current System

"Keynes, who headed the British delegation, was implacably opposed to such a policy. In a famous statement he begged:"

"I sympathise, therefore, with those who would minimize, rather than those who would maximize, economic entanglement between nations. Ideas, knowledge, art, hospitality, travel – these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible; and above all let finance be primarily national."

Quoted in Herman Daly and John Cobb, *For the Common Good*, Green Print, 1989.



7. 1944: BRETTON WOODS –
Keynes' Alternative to Our Current System

"Those American politicians, financial advisers and corporate representatives who dictated the Bretton Woods agreements effectively determined that thereafter, trade would everywhere prosper over domestic need. The decline and eventual demise of democratic sovereignty throughout the world became only a matter of time, first crushed beneath the economic power of the strongest nation, America, and later by the power of international finance."

Michael Rowbotham, *The Grip of Death*, pub. 1999, p. 242-3

Shanghai International Finance Centre

8. BRETTON WOODS, 1944: The International Monetary Fund

c) The U.S. Dollar Rules

The U.S. Dollar was given special status:
equal status with gold, as reserves for currency creation.

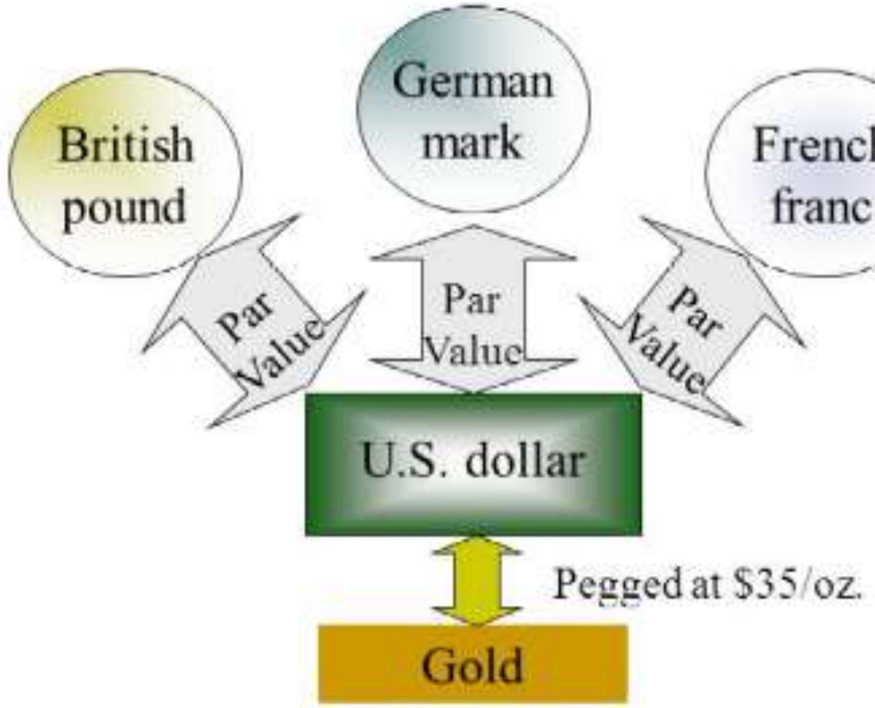
8. **BRETTON WOODS, 1944: The International Monetary Fund**

c) The U.S. Dollar Rules

Other currencies were exchangeable for U.S. Dollars at a fixed rate.

The U.S. maintained the convertibility of 1 oz gold = $35

Bretton Woods System: 1945-1972



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8. BRETTON WOODS, 1944: The International Monetary Fund
d) The London Gold Pool

Starting in the 1959-69 administration of President Charles de Gaulle and continuing until 1970, the government of France exchanged it dollar reserves for gold at the official exchange rate.

De Gaulle decried Dollar Diplomacy, which allowed the U.S. to issue U.S. Dollars, used as worldwide reserves, and buy up European assets.

9. 1971: NIXON -- Closes the Gold Window

Who were these speculators that Nixon said were attacking the U.S. Dollar?

"... over the decade from 1960-1970, there had been a large outflow of dollars from America... The Americans prevaricated until after the Vietnamese War, but finally had to accept that they did not hold nearly enough gold for all these dollars to be exchanged." Rowbotham, p. 243

By the 1960s, a surplus of U.S. dollars caused by foreign aid, military spending, and foreign investment threatened this system, as the United States did not have enough gold to cover the volume of dollars in worldwide circulation at the rate of $35 per ounce

9. 1971: NIXON -- Closes the Gold Window

Because gold was still the basis of international exchange in 1971, and governments could claim another country's gold with the country's currency, MOST NATIONS HAD CONTROLS OVER THE OUTFLOW OF INVESTMENT CAPITAL [MONEY].

Capital controls were an integral part of the Bretton Woods system which emerged after World War II and lasted until the early 1970s. This period was the first time capital controls had been endorsed by mainstream economics.

CAPITAL CONTROLS = KEEPING THE NATION'S MONEY AT HOME

- exchange controls on buying and selling of a national currency at the market rate
- caps on the allowed volume for the international sale or purchase of various financial assets
- transaction taxes
- minimum stay requirements
- requirements for mandatory approval
- limits on the amount of money a private citizen is allowed to remove from the country

9. 1971: NIXON -- Closes the Gold Window

"This [U.S. going off the international gold standard] completely changed the conditions of the world's monetary system, and removed one of the last elements tending to keep finance national. Once there was no fear that holdings of dollars or pounds by another nation might lead to a call for gold that America or Britain didn't have, there was no need for the restrictions on an outflow of money for foreign investment." Rowbotham, p. 243

In the 1970s free market economists became increasingly successful in persuading their colleagues that capital controls were in the main harmful.

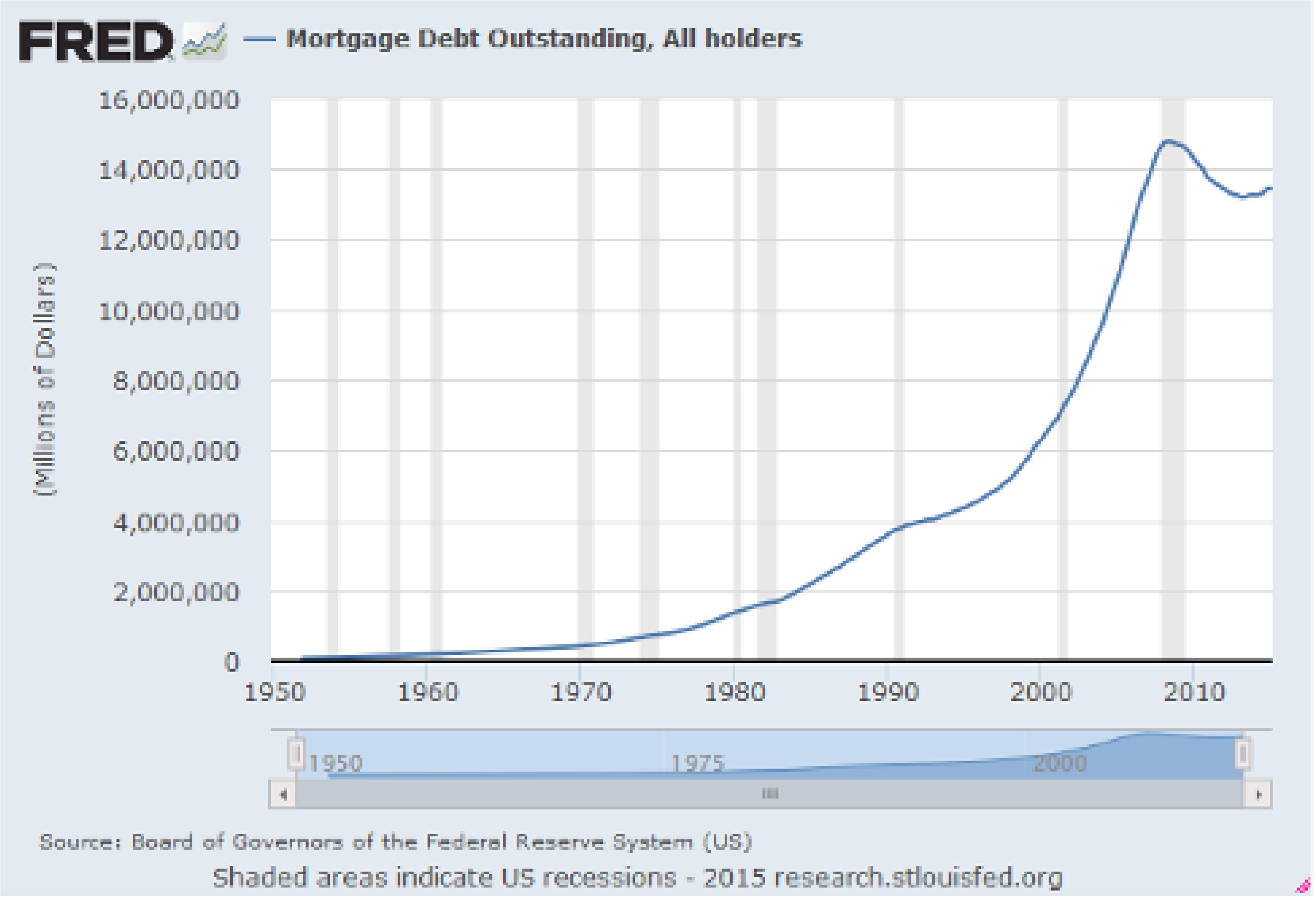
The US, other western governments, the IMF and World Bank began to take an increasingly critical view of capital controls and persuaded many countries to abandon them to facilitate financial globalization.

9. 1971: NIXON -- Closes the Gold Window

"Domestic banking round the world began to be freed from all restraints to supply the necessary money. In other words, there was deregulation, not just of the rules governing the export of capital [money], but also the rules governing domestic banking, so that this additional money could be created." Rowbotham, p. 244

"But a substantial part of this monetary outflow has been money which ordinary people have been forced to create by going into debt…

The period between 1975 and 1985 was when mortgages suddenly leaped to heights never before seen in all the developed nations and budget deficits soared." Rowbotham, p. 244



1. 1971: END OF BRETTON WOODS BUT IMF CONTINUES

a) Speculators Undermine the IMF

"The early 1970s were a critical moment for the IMF. Which would take precedence, the ability of corporate or other speculators to shift huge amounts of capital overnight without warning, in order to take advantage of a 1/20th of a percent interest rate differential between currencies, or the ability of producers to create and trade goods, upon which the world's peoples depended?" Zarlenga, *LSM*, p. 614

"It surrendered without a fight, subjecting its operations to the notion that 'free markets' in currency and interest rate speculation take precedence over all else."

Zarlenga, LSM, p. 614

1. 1971: END OF BRETTON WOODS BUT IMF CONTINUES

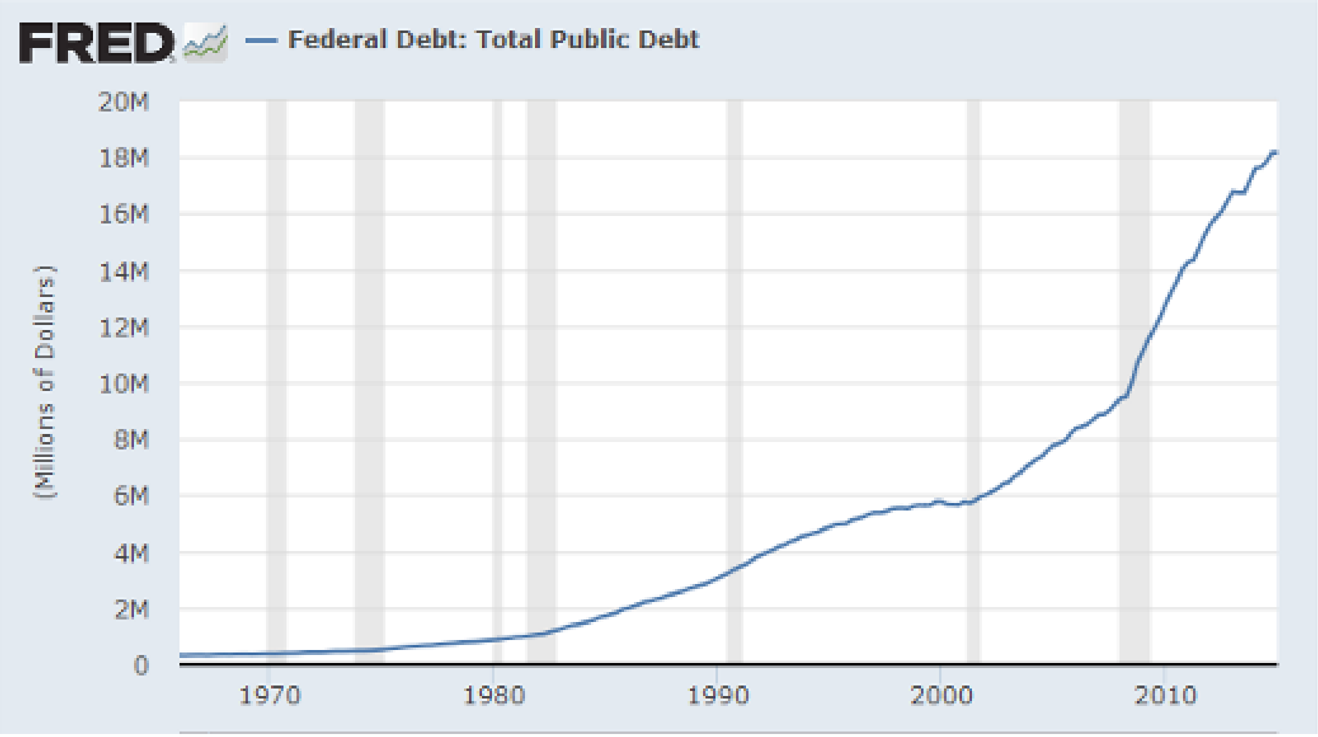
d) IMF's Money Creation Powers: Member Quotas as Loan Fund

"The IMF presents itself as a financial pool – an international reserve of money built up with contributions (known as quotas) from subscribing nations, that is, most nations of the world. However, credit creation accompanies almost every aspect of IMF funding." Rowbotham, *Goodbye America!*, pub. 2000, p. 100

#2 Rowbotham, *Goodbye America!*, p. 100

The 75% of a nation's quota payable in national currency is today invariably funded by the government concerned through the sale of bonds, thus adding to that nation's national debt.

This involves the sale of government bonds to commercial banks, leading to money creation by those banks. This source of revenue forms the main fund of IMF monies available to developing nations.



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#3 Rowbotham, *Goodbye America!*, p. 101

In 1979, the IMF instituted Special Drawing Rights (SDRs). These SDRs were avowedly created as an additional international currency.

Although they are 'credited' to each nation's account with the IMF, if a nation borrows these SDRs (defined in dollars) it must repay this amount, or pay interest on the loan.

SDRs are actually a credit facility, just like a bank overdraft – if they are borrowed, they must be repaid.

Thus, the IMF is now creating and issuing money, created in parallel with an equivalent debt. The IMF 'reserve' being the original pool of quota funds.

http://www.imf.org/external/np/exr/facts/sdr.htm

The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. Its value is based on a basket of four key international currencies, and SDRs can be exchanged for freely usable currencies. As of March 17, 2015, 204 billion SDRs were created and allocated to members (equivalent to about $280 billion).

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#4 Rowbotham, *Goodbye America!*, p. 101

The quota demands by the IMF have reached the point where (so-called) creditor nations such as America and Britain are reluctant to undertake yet more bond issues and further national debt to supply these funds. Therefore, in recent years, the IMF has begun to circumvent the restrictions of its overall quota.

The IMF administers 'loan packages' made up in part from its own quotas and in part from commercial sources.

For example, of the $56 billion loan advanced under the auspices of the IMF to South Korea in the wake of the Asian crisis, only $20 billion was actually contributed by the Fund itself, the remaining $36 billion being arranged by direct co-operation with international commercial banks who created money for the purpose.

2. The World Bank: Bretton Woods 1944 – "Free Trade"

"Institutions designed to redress trade imbalances, which would have supported the Third World in its efforts to escape from debt, were deliberately omitted at Bretton Woods. Instead, "free trade" was given the highest priority.

Both the IMF and World Bank had, written into their charter, the requirement that they promote the free trade of goods and services throughout the world and, through their activities, endeavor to remove all restrictions to trade.

Countries were placed under no obligation to maintain a balance of trade with other nations, but were permitted to seek a persistent trade surplus."

Rowbotham, *Goodbye America!*, p. 46

"... the fate of the Third World was determined before a single loan was issued."

Rowbotham, *Goodbye America!*, p. 46

4. DEBT-MONEY SYSTEM DRIVES “FREE TRADE”

Political Economist DAVID RICARDO Supported Free Trade: His Four Conditions Make Free Trade Work

In 1817 David Ricardo, advancing the theory of comparative advantage, set forth 4 conditions:

1. Do not move capital over borders from a high wage to a low wage country.
2. Balance trade between participating countries.
3. Trade only between countries with full employment.
4. Open competition: no monopolies or oligopolies.

4. DEBT-MONEY SYSTEM DRIVES "FREE TRADE": World Bank

THE WORLD BANK
Treasury

THE WORLD BANK
INVESTOR BRIEF

The World Bank is owned by it member governments. Each government has committed an amount of 'capital' to the bank, but only a small part has been paid in, the remaining 'on call'.

The money loaned by the World Bank is raised by World Bank bonds.

Capital Markets

How much does the World Bank borrow each year?

- Approximately USD30 billion per year

What are the key components of the World Bank's funding strategy?

- Meet investor needs by offering a broad product mix
- Ensure high standards of execution

What are the main features of the World Bank's debt offerings?

- The World Bank has been rated triple-A for over 50 years.
- World Bank debt has 0% risk weighting (Basel II and III)
- World Bank bonds have been offered in over 56 different currencies, with a wide variety of maturities as "plain vanilla" bonds or structured note

Does the World Bank issue liquid, global bonds?

- USD1-6 billion in size, benchmark maturities
- USD, EUR, and other currencies
- World Bank bonds are part of major indices such as Barclays Capital Global Aggregate, Bank of America Merrill Lynch Global Broad Market Quasi-Government, and Citigroup World Broad Investment-Grade (WorldBIG)

4. DEBT-MONEY SYSTEM DRIVES "FREE TRADE"

Today's Situation:

None of the necessary conditions for free trade, to produce mutual benefits, apply anywhere in today's world

- Instead, all nations try to pursue an *imbalance* of trade, where they profit the most.
- Multinational banks rig trade to their profit at the expense of third world nations, while calling it "*free*" trade.
- This Free Trade sham has been accepted and promoted by powerful financial and legal world agencies: World Bank, IMF, GATT, WTO, OECD, the UN and governments of the strongest nations.

6. Islamic Monetary Developments: Echoes of Scholasticism

"While the Old Testament had strong prohibitions against usury, it was slightly ambiguous regarding the practice of usury against non-Jews... But the Koran is very clear that all usury is forbidden:" Zarlenga, *LSM*, p. 623

Muhammad: 'God has permitted trade but forbidden usury. Profit is the result of initiative, enterprise and efficiency – value creation. Not so with usury...' The Koran

2.European Monetary Union - EMU

"The monetary power is primarily to be embodied in the European Central Bank (ECB), described in the Protocols of the treaty. Because it is set forth separately from the other institutions … and is being formed years after the others, there's the impression that it is subsidiary to them. It is not." Zarlenga, *LSM*, p. 630

The 3 decision making bodies of the ECB

<u>ECB Governing Council</u>: ECB Executive Board and member national central bank governors

<u>ECB General Council:</u> ECB Pres. and Vice Pres., and member national central bank governors

<u>ECB Executive Board</u>: a President, a Vice President and at least 4 others, chosen from among persons of recognized standing and professional experience in monetary or banking matters. Appointed by EU heads of state. Recommended by EU Council, consulting EU Parliament and ECB Governing Council.

2.European Monetary Union - EMU

ECB Governing Council

ECB General Council

ECB Executive Board

COMMENT 2002: The 3 decision making bodies of the ECB

"Real sovereignty and power are being ceded by the national central banks, and their respective nations, to the ECB... This centralization of monetary power can be good or very bad, depending on how wisely it is implemented... The danger is not well recognized: that the potential for catastrophic error is greater from one single power center than from twelve somewhat independent ones, closer to their constituencies. Consider Byzantium's golden grip on Europe's throat for 900 years....

Restricting the management of the institution to people who have been indoctrinated into essentially the same economic theories is dangerous because... those theories themselves have been structured over time to serve particular interests."

Zarlenga, *LSM*, pp. 631-632

3. MONEY CREATION PROCESS:
b) Bank notes and minting of coins

ECB Governing Council has the exclusive right to authorize the issue of bank notes

Both the ECB and National Central Banks may issue these notes

The National Central Banks will mint the coins

BANQUE DE FRANCE
EUROSYSTÈME

These bank notes are the only LEGAL TENDER

3. MONEY CREATION PROCESS:
c) Monetizing debt

The ECB and the National Central Banks are forbidden by Article 104 of the Maastricht Treaty to create debt-money, also known as credit:

ARTICLE 104

1. Overdraft facilities or any other type of credit facility with the ECB or with the central banks of the Member States (hereinafter referred to as 'national central banks') in favour of Community institutions or bodies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States shall be prohibited, as shall the purchase directly from them by the ECB or national central banks of debt instruments [government bonds].

The ECB and National Central Banks of EMU are forbidden to buy government bonds (debt) directly from their governments.

3. MONEY CREATION PROCESS:
d) Open market and credit operations

Treaty of Maastricht

Article 18

Open market and credit operations

18.1.

In order to achieve the objectives of the ESCB and to carry out its tasks, the ECB and the national central banks may:

- operate in the financial markets by buying and selling outright (spot and forward) or under repurchase agreement and by lending or borrowing claims and marketable instruments, whether in Community or in non-Community currencies, as well as precious metals;
- conduct credit operations with credit institutions and other market participants, with lending being based on adequate collateral.

18.2.

The ECB shall establish general principles for open market and credit operations carried out by itself or the national central banks...

NY Federal Reserve Bank
Primary Dealer List
(to buy U.S. Government Bonds
as part of Open Market Operations:

Bank of Nova Scotia, New York Agency
BMO Capital Markets Corp.
BNP Paribas Securities Corp.
Barclays Capital Inc.
Cantor Fitzgerald & Co.
Citigroup Global Markets Inc.
Credit Suisse Securities (USA) LLC
Daiwa Capital Markets America Inc.
Deutsche Bank Securities Inc.
Goldman, Sachs & Co.
HSBC Securities (USA) Inc.
Jefferies LLC
J.P. Morgan Securities LLC
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Mizuho Securities USA Inc.
Morgan Stanley & Co. LLC
Nomura Securities International, Inc.
RBC Capital Markets, LLC
RBS Securities Inc.
SG Americas Securities, LLC
TD Securities (USA) LLC
UBS Securities LLC.

3. MONEY CREATION PROCESS:
e) Loan creation through fractional reserve banking

Treaty of Maastricht

Monetary policy

Article 105

5. The ESCB shall contribute to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system.

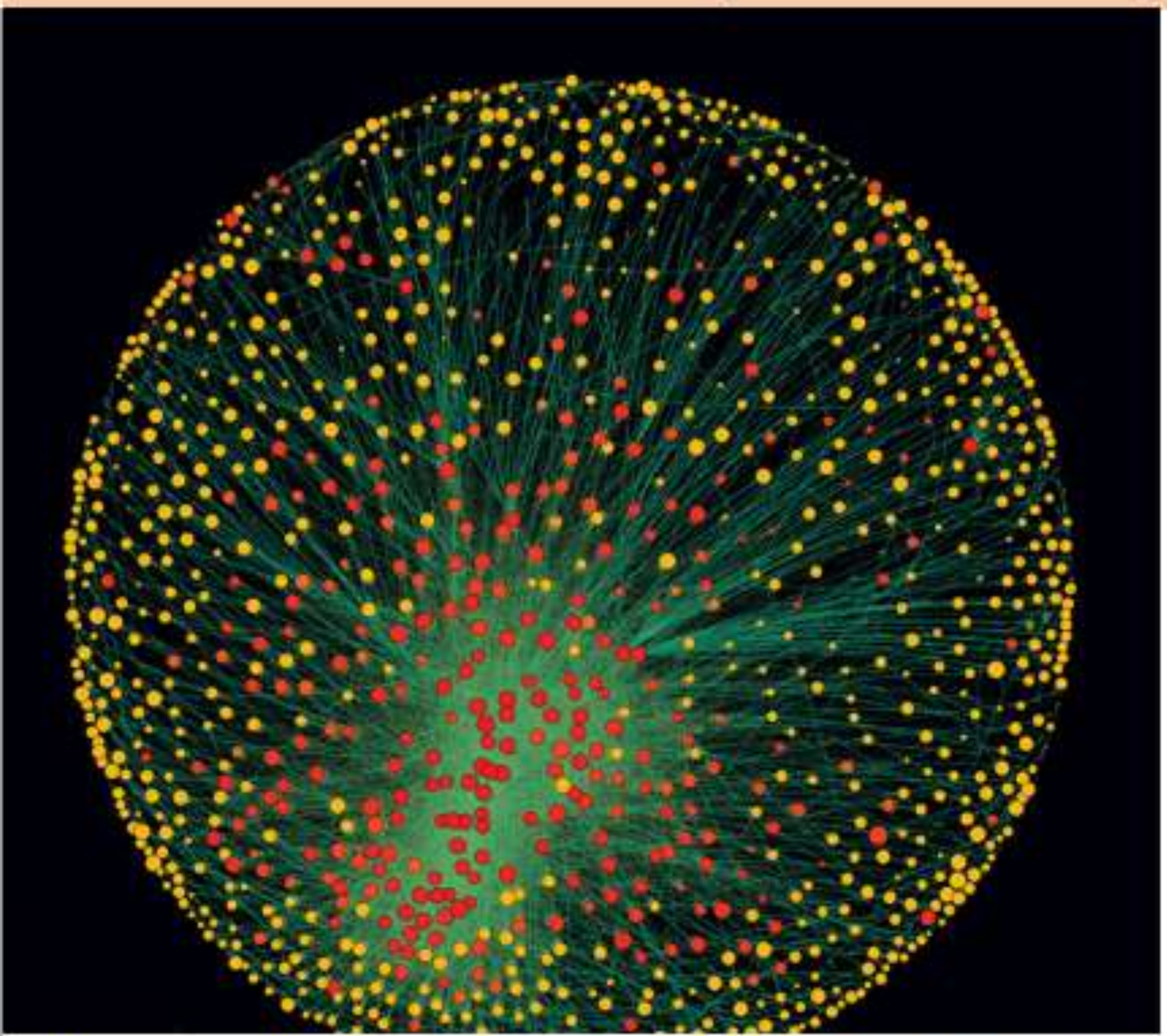
Stephen Zarlenga, *LSM*, p. 636:

"Since the fall of Byzantium, commercial banks have created money by making loans – by entering credits on their books."

1. **The Fractional Reserve Problem**

The ECB allows banks to engage in fractional reserve banking.

This shifts power to the private banks to control economies.



http://journals.plos.org/plosone/article?id=10.1371/journal.pone.0025995

146 top players in the core of the world economy control 40% of the value of the Trans National Corporations.....

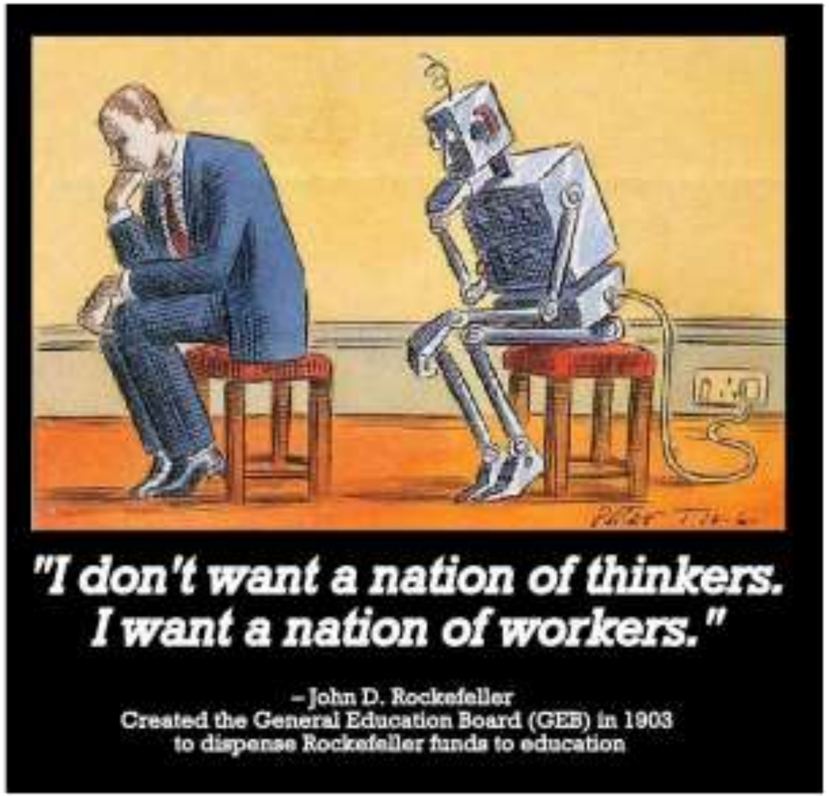
most are banking institutions.

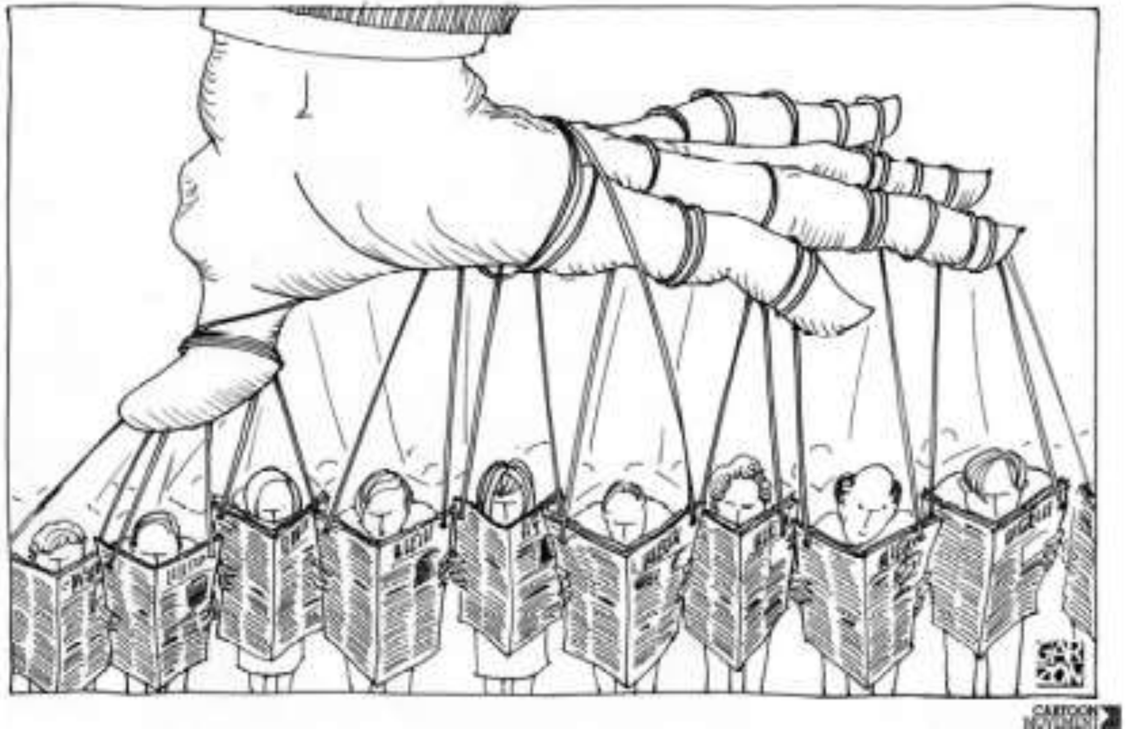
The Top Fifty Corporate Owners

1. Barclays plc
2. Capital Group Companies Inc
3. FMR Corporation
4. AXA
5. State Street Corporation
6. JP Morgan Chase & Co
7. Legal & General Group plc
8. Vanguard Group Inc
9. UBS AG
10. Merrill Lynch & Co Inc
11. Wellington Management Co LLP
12. Deutsche Bank AG
13. Franklin Resources Inc
14. Credit Suisse Group
15. Walton Enterprises LLC (holding company for Wal-Mart heirs)
16. Bank of New York Mellon Corp
17. Natixis
18. Goldman Sachs Group Inc
19. T Rowe Price Group Inc
20. Legg Mason Inc

10. Conclusion

What do you think? Control over the education and national media by the money power can destroy democratic society. Evidence for this is the ignorance of the public of the history of money and the understanding of where money comes from and what money is.





3.Misdiagnosis: Deterioration of the American Infrastructure System

"Again this results from not understanding that money should be created by government for such expenditures. Infra-structure spending is an excellent way to intro-duce new money into circulation, distributing it geographically, funding decent paying jobs and leaving valuable infra-structure for the citizens to use for many years."

Zarlenga, *LSM*, p. 654

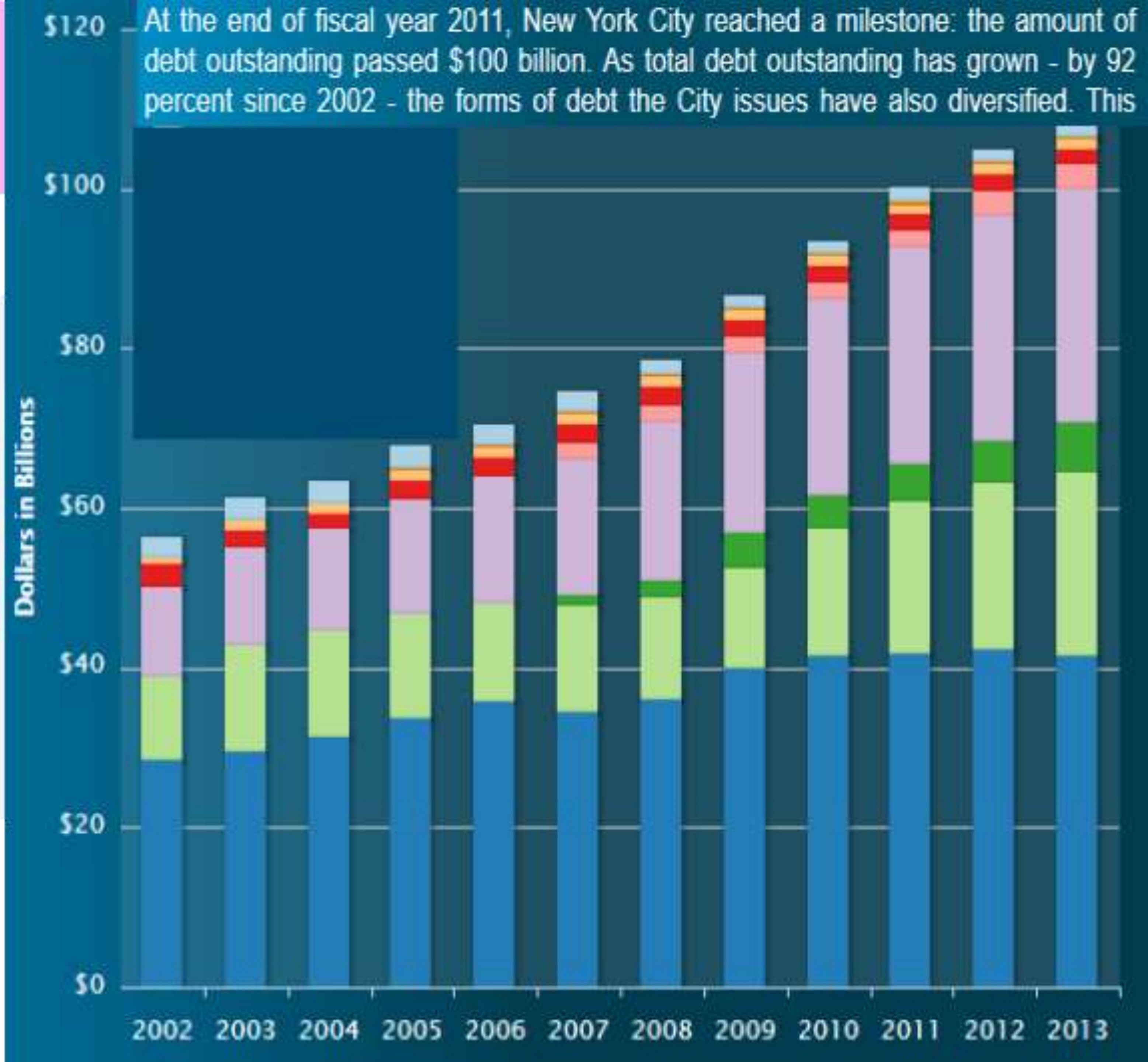
2013 REPORT CARD FOR AMERICA'S INFRASTRUCTURE ASCE

IN BILLIONS $

Infrastructure Systems	Total Needs
Surface Transportation[1]	$1,723
Water/Wastewater Infrastructure[1]	$126
Electricity[1]	$736
Airports[1,2]	$134
Inland Waterways & Marine Ports[1]	$30
Dams[3]	$21
Hazardous & Solid Waste[4]	$56
Levees[5]	$80
Public Parks & Recreation[6]	$238
Rail[7]	$100
Schools[8]	$391
TOTALS	$3,635
Yearly Investment Needed	$454

3. Misdiagnosis: Nullification of Local Government

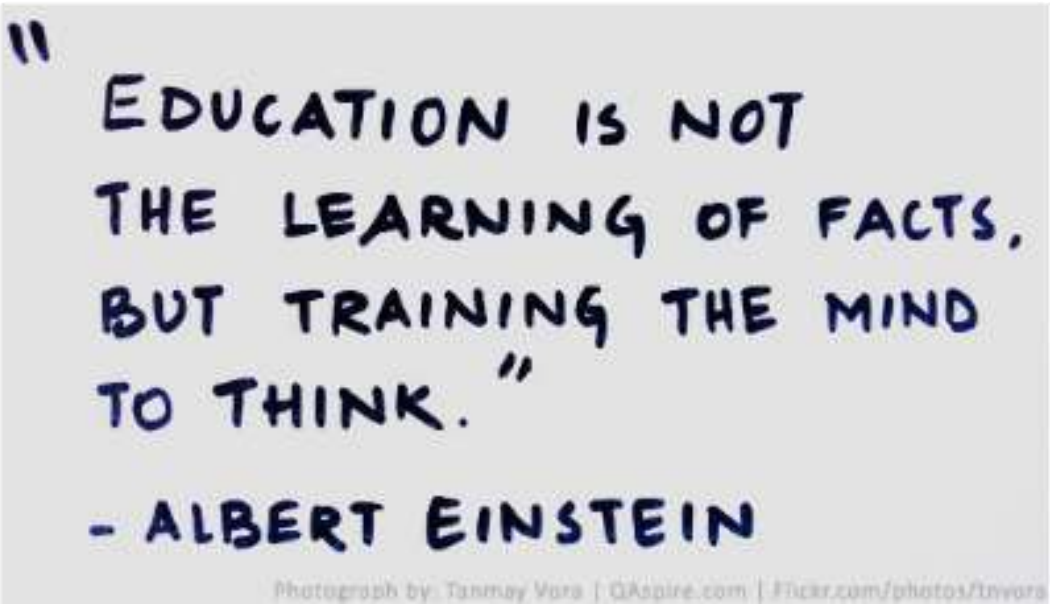
"The monetary strangulation of government occurs at the Federal, state, and local levels. Small towns are forced into more debt in order to perform necessary functions. The interest costs on this debt approximately doubles the cost of all equipment, construction, or services provided." Zarlenga, *LSM*, p. 655



3. Misdiagnosis: A Broken Down Educational System

"Another larger problem of the schools is what's being taught… What's not being taught is how to think…

But a financial system based upon so many falsehoods requires a high degree of ignorance in the population or the system will be seen through and be overthrown." Zarlenga, *LSM*, p. 655



5. Moneys' Nature Must Dictate Monetary Reform

WHAT MONEY IS...

Aristotle:
"Money exists not by nature but by law."

Plato:
"a money token for purposes of exchange"

DIGESTORVM
PANDECTA-
RVM
Cum locorum aliquot in archetypo Pisano, mancorum & vacuorum repletione, multisque aliis ab antè in lucem nunquam editis, quæ præfatione ad Lectorem huic Tomo præfixa enumerantur.
LVGDVNI,
Apud Gulielmū
1581.

Julius Paulus, Roman Jurist:
"This device being officially promulgated, circulated and maintained its purchasing power not so much from its substance as from its quantity."

5. Moneys' Nature Must Dictate Monetary Reform

WHAT MONEY IS...after a long darkness…

Bishop Berkeley:
"Whether the true idea of money as such,
be not altogether that of a ticket, or counter?"

Ben Franklin:
"To remedy such Inconveniences, and facilitate Exchange, Men have invented MONEY, properly called a Medium of Exchange, because through or by its Means Labour is exchanged for Labour, or one Commodity for another."

John Locke, *Essay on Money and Bullion*:
"Observe well these rules: It is a very common mistake to say money is a commodity … Bullion is valued by its weight … money is valued by its stamp."

6. Distractions from Sovereign Money: The "Free Banking" Ideologues

When the government issues the money, it is a tax that benefits all members of the society.

When the private banks issue the money, they enrich themselves, at the expense of everyone else. They use their privilege to control the government.

6. Distractions from Sovereign Money: The "All Money Is Debt" Faction

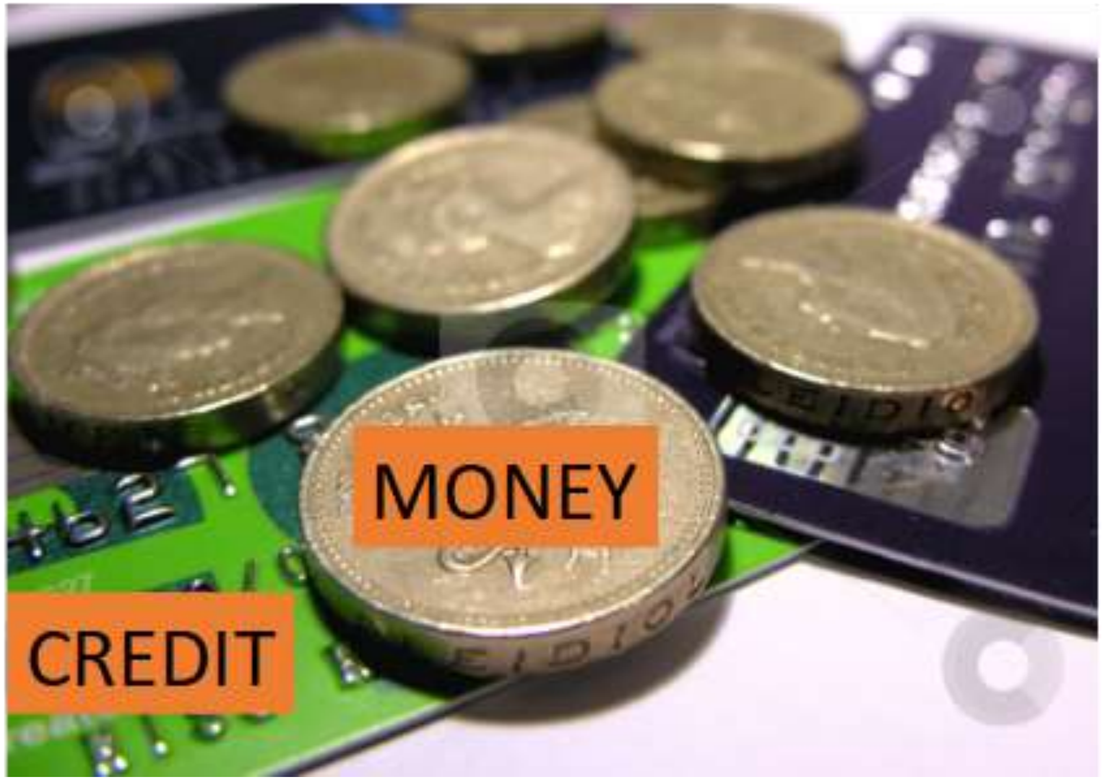
"This group confuses the nature of money... They say that since most of the money in circulation is in the form of credits issued by banks (which are also debts to those being credited), that therefore the nature of money is that it is always debt." Zarlenga, *LSM*, p. 661

GREENBACK DOLLAR	FEDERAL RESERVE NOTE
DEBT-FREE MONEY	DEBT-MONEY
GOVERNMENT ISSUED	BANK ISSUED
MONEY	CREDIT

"Credit can function imperfectly as money, when it has been (improperly) monetized under the law. For example the legal treatment of the private Federal Reserve notes as money by accepting them for taxes and making them a legal tender." Zarlenga, *LSM*, p. 661

6. Distractions from Sovereign Money: The "All Money Is Debt" Faction

"Those who argue that it [credit] is the only form of money, should realize that they are actually defining 'money' out of existence, and substituting 'credit' for it. Money and credit denote two different things. That's one of the reasons we give them separate names." Zarlenga, *LSM*, p. 661



6. Distractions from Sovereign Money: The "All Money Is Debt" Faction

"A society such as the U.S., depending on private bank credits in place of government-created money, is operating in moral quicksand. It has established a special privilege of power for those private parties issuing the credit – the bankers. As Professor Soddy and others have shown, this cannot help but do serious harm to the population as a whole." Zarlenga, *LSM*, p. 661

3. How Does the Plutocracy Respond?

"Those holding the money power have promoted a two century smear campaign against government to raise the fear of inflation under such a system, even though the evidence clearly shows greater monetary abuse by privately controlled money systems than by government ones. That's why economists are steered away from the study of history." Zarlenga, *LSM*, p. 666

OUR GOVERNMENT NEVER OVER-ISSUED ITS MONEY,
BUT ALL WERE ATTACKED: by Britain and by Private Bankers

IT DEVELOPED OUR COLONIES
(Colonial Bills of Credit)

IT GAINED OUR INDEPENDENCE
(Revolutionary War Continentals)

IT MAINTAINED THE UNION
(Greenbacks)

3. How Does the Plutocracy Respond?

"… the Plutocracy's [government's] inflation theme is 'the big lie.' "

Zarlenga, *LSM*, p. 667

The banks, not the government, fueled the 1920's:
Banks financed the financial bubble from 1921 to 1929

LOANS FOR SECURITIES
increased 121%

LOANS FOR REAL ESTATE
increased 178%

LOANS FOR INVESTMENTS
increased 67%

6. Reform #2:

Ending Fractional Reserve Banking and Instituting the 100% Reserve Solution

Dr. Frederick Soddy, THE ROLE OF MONEY

"The "money-power" … is … nothing more nor less than a new technique designed to create and destroy money by adding and withdrawing figures in bank ledgers, without the slightest concern for the interests of the community…."

14. Don't Allow Economists to Direct Monetary Reform

Don't Allow....

Don't Allow Ec... sts
to Direct Monet... eform

Don't Allow Economists
to Direct Monetary Ref

Don't Allow....

Don't Allow Economists
to Direct Monetary Reform

PLEASE !!!!