

Money & The Fed

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Alexander Hamilton

Money

Money, we all need it, we all want it, and we all use it. It impacts much of what we do throughout the majority of our lives, it shapes a considerable amount of our thinking, and it sparks much of our action. But oddly enough very few people really know how money is created and what that actually means to them. We tend to leave such weighty matters to those who seem to know more about these issues than do we. History teaches us that this is a very big mistake. When the people are not informed the privileged few have control. Study the following carefully, your improved understanding of the way things really are will better prepare you for the choices you'll want to make to secure your financial future.

Overview

It's like watching the weather during tornado season. Economists worldwide view actions of the Federal Reserve Board with a mixture of fear and wonder, because the Federal Reserve has the power to raise or lower interest rates, and therefore wield enormous power over the world economy.

How much power? Consider this: Every time the Federal Reserve raises rates one quarter of a percentage point, about 50,000 home buyers in the U.S. are priced out of the market, according to economist David Lereah of the Mortgage Bankers Association. But the implications go way beyond the borders of the United States. The whole world holds its breath each time the Federal Reserve Board or its Chairman has anything to say about anything.

Stock prices rise or fall according to how heavily dependent companies are perceived to be on borrowings. In theory when rates are high, many investors may switch from buying stocks in business to bonds from government.

Higher interest rates cause the dollar to rise against other currencies. A stronger dollar makes U.S. goods relatively more expensive in the

international marketplace, and imports more accessible – thus potentially idling U.S. factories and accelerating an imbalance of payments. The ripple effect of all these changes acts as a brake on economies – companies slow down and lay off workers, who are then unable buy, which if not remedied in time will cause recessions or worse and so the Fed steps back in and lowers rates to head off disaster and so the cycle goes. There is an expression, offensive to many but that contains some truth, which says that when the U.S. sneezes Canada catches cold, Europe gets a fever and Australia and much of the rest of the world gets pneumonia.

That's an enormous amount of power. What is this Federal Reserve institution and who are the people who have such control over our lives? And, just how far does their power actually go?

The Federal Reserve System

The Federal Reserve System sometimes referred to as the “Fed” is not federal, and there are no reserves, at least not in any traditional sense of the term. The Fed is a quasi-private company controlled by a select few.

Stock shares in the private company called the Federal Reserve are issued to federally chartered commercial banks. However, the stock does not represent incremental ownership, the shares cannot be sold or pledged, and shares in the Federal Reserve do not provide for ordinary voting rights, as they normally do with other private corporations.

The U.S. government does not own any stock in the Federal Reserve System, but the Fed has a TOTAL monopoly over government banking activities and its decisions literally affect the lives of virtually everyone on the planet.

The decisions made by the Fed are rendered in secret meetings, weeks prior to the release of any information to public sources. All notes and transcripts of such meetings are destroyed prior to public announcements, so that no information will be available under the Freedom of Information Act. Neither the FBI nor the CIA enjoys such secrecy.

The Fed exists to ensure profits to a select few along with maintaining general economic stability, and it is the single most important board piece in the game of world domination; not by the United States, as you might logically presume, but by influential bankers and power brokers.

The Federal Reserve System is the beating heart of a legalized cartel. It is the epitome of a secret combination designed to get gain at the ultimate

expense of the uninformed public. This institution is the source from which fiat money flows; money backed by nothing. In its truest form, this is counterfeit money, which the U.S. government requires that every American accept or suffer the consequences of the use by government of overwhelming force. In this, citizens are stripped of their fundamental rights and liberty.

The U.S. Constitution actually requires that money be only gold or silver or certificates redeemable in gold or silver. The founding fathers were historically informed. Gold and silver are the ONLY money that has stood the test of 5,000 years of recorded history. This requirement has been overruled by a compromised legislature, although a Constitutional amendment to validate this action has never been passed.

The Federal Reserve is the third resurrection of the centralized monopoly originally chartered by the Continental Congress in 1781. The same men, who initially chartered the private business that would gain an absolute monopoly over money, eventually realized the error of their ways and refused its renewal. When the Constitution was first drafted it included the language from the former “Articles of Confederation” which said:

“The legislature of the United States shall have the power to borrow money and emit bills of credit.”

This is the process by which fiat money begins, i.e.: emitting bills of credit. However, the framers of the Constitution were collectively so appalled by the inflation and inherent corruption this process bred, that an overwhelming majority of the Constitutional Convention — amounting to a four to one vote — removed the words “emit bills of credit,” from the Constitutional language. Alexander Hamilton spoke for this majority when he said:

“To emit an unfunded paper as the sign of value ought not to continue a formal part of the Constitution, nor ever hereafter to be employed; being, in its nature, repugnant with abuses and liable to be made the engine of imposition and fraud.”

The fathers of the Constitution had experienced first hand, the results of fiat currency. Fiat bills were then widely referred to as simply paper money, meaning it was paper only with no guarantees of redemption of anything of underlying value.

Paper money, or fiat currency, is not to be confused with the paper bills, which are actually receipts, or claim checks, which may be redeemed for whatever backs it, normally gold or silver. For example, U.S. dollars up until the 1960's were actually "silver certificates," meaning they could be redeemed at any government mint for their value in silver.

Early American patriots saw clearly that the government should NEVER again be granted the right to issue paper money without legitimate backing and without a complete check and balance system. Thomas Paine summed up these feelings when he said:

"The punishment of a member (of Congress) who should move for such a law ought to be death."

Even a corrupt government bureaucracy cannot inflate a fully backed commodity currency, provided of course, someone is minding the vault. London Times editor William Rees-Moog had this to say:

"Neither a state nor a bank ever have had the unrestricted power of issuing paper money without abusing that power."

He went on to point out that:

"There never will be a shortage of politicians willing to spend where they have not taxed, nor is there any shortage of economists wishing to advise them of the wisdom of supporting trade and employment by issuing more money. No money whose issue is controlled by a politician is ever better than the needs the next election will allow."

Article 1, Sections 8 & 10 of the Constitution of the United States says "Congress shall have the power..."

"To borrow money ... to coin money, regulate the value thereof, ... and fix the standard of weights and measures ... to provide for the punishment of counterfeiting..."

"No state shall ... coin money; emit bills of credit, ... (or) make anything but gold and silver coin a tender in payment of debts."

There is no question that those responsible for drafting the Constitution were careful and precise with their words. The American colonies had

previously been flooded with paper fiat money to the incredible detriment of its citizens. Inflation always follows the circulation of fiat money and to the best of my knowledge there has never been an exception in the history of the world. Some of the original colonies had experienced inflation of over 1000%, the results of which wiped out the lifetime savings of the majority of the colonists. Those that framed the Constitution understood plainly the danger that lurks where government is allowed to grant to either itself, or anyone else, a monopoly to create paper fiat money.

Banking

Throughout much of history goldsmiths handled the business of banking. Merchants and citizens brought their gold and silver, usually in the form of coins, to a goldsmith. The goldsmith's job was to store and protect these valuables in their vault. For this they charged a fee. The goldsmith-banker issued paper receipts, which represented claim checks for the coins deposited with them. These paper bills were generally in a standard and recognized form and were therefore widely accepted as money based on the reputation of the goldsmith, his family and fortune.

Banking was the act of storing coins and bullion and making loans. Loans were made from the assets of the banker's themselves, not the stored assets of others. If a person storing their coins with a banker wished to earn interest by allowing their gold to be loaned to third parties, they understood clearly that the money was not readily available for use until the borrowing party had paid back the loan and interest. Most borrowers wanted paper money, not bulky coins, so when they received their loans of coin they typically would leave them in the vault and instead take paper bills representing the gold or silver coin actually on deposit.

All legitimate paper money was historically 100% backed by gold, silver, or whatever commodity was identified on the face of the bill. Paper bills were "receipt money," because they were simply receipts for an equal amount of gold or silver held on deposit at the bank, which had issued them. Any banker that created paper bills, for which they did not have gold or silver in the vault, was guilty of fraud. Paper money without backing, where people have been forced to accept it by government, is called "fiat money."

A Central Bank

The Federal Reserve is the central bank of the United States. It was established in 1913. The U.S. had tried such a system in the past and it was abused. Because of this, Americans viewed with suspicion the centralization of power and authority in banking — especially when it is an

imported system, one concocted by the banking families of Germany, England, and France.

The central system gained a foothold after the financial panic in 1907 — one it would appear that was prompted by certain monopolistically inclined eastern and foreign banks. The pressure was on Congress to do something. The answer was a national bank — the Federal Reserve — one that was supposed to become a lender of last resort to the private banking system. The theory was that private banks could turn to the Federal Reserve for loans when other banks were unable to provide them. The Federal Reserve was to pool the resources of participating banks to create an “as-needed” fund for these last-resort loans to provide liquidity in times of uncertainty.

Banks were then making money by lending out the large majority of their customer’s deposits, rather than simply their own holdings. So, if a number of depositors became insecure about the health of their bank and all tried to withdraw deposits at the same time, there was rarely sufficient liquidity to accommodate such a “run on the bank.” When this sort of thing began it typically caused financial panic.

The initial argument for the Fed was convincing, but it evolved into something far more powerful than simply a lender of last resort. The Federal Reserve became the entity that controls all banking activities, which in turn controls most business activities and deeply influences the business cycle itself. The Federal Reserve is also the creator of new money out of nothing.

The seven-member Board of Governors of the Federal Reserve Bank, including the Chairman and Directors, has become the most potent force in existence controlling our financial lives. And yet they are unelected and unaccountable to the lives of the very people they control. Though they are more influential than even the highest elected officials, they are appointed by the sitting President and confirmed by the U.S. Senate to serve 14-year terms, with no direct accountability to the voters.

The Federal Reserve is not an agency of the U.S. government, although it is a government creation. It is a corporation owned by banks that are members and that hold stock in it. Every bank that has a Federal charter is required to buy stock in the Federal Reserve and to be members of the system. Banks with state charters have the option of whether or not they wish to become members, but all banks, no matter what their membership status is, are under the control and influence of the Fed.

The Chairman of the Board of Directors testifies before Congress twice per year about how the Fed is handling the nation's money supply and what can be expected in the economy. The media, with great interest, covers these appearances, but most people are simply unaware of their import.

Cross Purposes

The Federal Reserve operates under what has been called the “dual mandate” --- two directives from the federal government that many say are contradictory. Congress passed the Employment Act of 1946 and the Humphrey-Hawkins Act of 1978, which is the Full Employment and Balanced Growth Act. These acts call on the Fed to “promote effectively the goals of maximum employment, stable prices and moderate long-term interest rates.”

What this means is the Fed has been directed to create economic growth with low inflation. Inflation yes, but hopefully low inflation. Rapid business growth has historically come when the Fed creates more money, lowering interest rates to banks and lending money that had not existed previously. Yet this new money — with nothing backing it — always creates inflation.

Inflation is the “hidden” tax, it is the result of government's over issue of money and it robs the poor and middle class of their hard-earned equity. Only if the economy has grown in terms of productivity and where a substance of widely perceived value backs the new money, can new money be issued without causing inflation.

How much money is created is a decision made by the seven members of the Fed who form the majority of the 12-member Federal Open Market Committee (FOMC). This group has the final say on the cost and availability of money and credit in the economy.

When an American sends in his or her taxes, the money eventually winds up passing through the Federal Reserve System, which operates for the government the way your bank operates for you. Checks are issued from the Fed for everything from submarines to Social Security checks.

Show Me The Money

“Where is most of the money in the banking system today?” asks Bruce J. Summers, the Fed's system-wide director for automated services. “Not in the vault. It's on computer records. We protect the value of the information.” They also protect the currency by gleaning out counterfeit and worn bills, which add up to several million dollars each day.

One of the more intriguing things about the Federal Reserve is how it creates money. The picture that comes to mind is of a printing press, churning out sheet after sheet of dollar bills. And, while that indeed happens, the real creation of money is silent and invisible. The Federal government issues securities, which are debt obligation instruments such as bonds. The Federal Reserve buys these on the open market. It buys these securities in a kind of shell game by issuing credit to the government, which then writes checks against it, and presto — new money is put into circulation.

Let's say you held a U.S. Treasury bond and decided to sell it. The Federal Reserve, using power granted to it by the Congress, would pay you money that did not exist before — whatever the face amount of the security. (It's not the same as when you or I write a check on our bank accounts and the money is then withdrawn. When the Fed does it the banking reserves are added to, not subtracted from.)

Once you've received payment for your security you make the deposit to your bank account. Through the "fractional reserve system," your commercial bank must keep a certain amount of your deposit on reserve — perhaps 10 percent. But it can lend out the rest — what they call the "excess reserves." The person who borrows that money spends it and the business where he or she has spent it can now deposit it in their bank. That bank can now has new money it can lend out. And, so it goes, until the original purchase of the Treasury security could now have multiplied the amount of money in circulation up to nine times the sum of the new money government created out of nothing to begin with.

When you add the original government debt to the bank created fiat money the total is approximately ten times more currency put into circulation than the amount of the underlying government debt. The banking system, underwritten by the FDIC, has therefore expanded the amount of money multiple times for every dollar the Federal Reserve has created out of nothing to begin with.

To the degree that this newly created money floods into the economy in surplus of goods and services, it causes the purchasing power of all money, both new and old, to decline. Prices go up because the relative value of the money has gone down. The result is the same as if that purchasing power had been taken in taxes.

The reality of this process is a hidden tax of up to 10 times the national debt. Americans have paid over the years, in addition to their federal,

state, and excise taxes, a completely hidden tax equal to many times the national debt. Of course, the Federal Reserve can also shrink the money supply by selling securities in its portfolio. The money paid for these securities is absorbed, like a sponge, and taken out of the economy — not actually put into any bank account.

Shell Game

If this all seems like a shell game, it's small wonder. A currency with nothing behind it is not only fictitious and dangerous it is simply illegal. Or at least it would be, if you or I or anyone else were to embark upon such an unscrupulous scheme.

It's often said that those who do not know history are doomed to repeat it. We are neither the first generation nor is the U.S. the first nation to try to do business with an artificial currency. But the ultimate consequences in terms of inflation and subsequent creditability have been so disastrous in the past that the founding fathers strove to prevent this kind of corruption in the United States for all future generations.

The U.S. Constitution (Article 1, Sections 8 and 10) already quoted earlier bears repeating, as it stipulated that:

“Congress shall have the power ... to borrow money ... to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures; ... No state shall ... coin money; emit bills of credit; [or] make anything but gold and silver a tender in payment of debts.”

The drafters of the Constitution were clear in their intent: “coin” money means to stamp pieces of metal. The young country already had its belly full of paper currency. Many states issued their own paper money from 1690 to 1764. It was so much easier to simply print money than risk the ire of citizens by exacting taxes. The result was run-away inflation — as high as 2300 percent in Rhode Island before the Revolution.

Experience with inflation is why the Constitution clearly prohibits states from issuing “bills of credit” or paper money. The flaw, however, is that the drafters did not also directly prohibit the federal government from doing so. In the course of fighting off the British, the Revolutionaries resorted to paper money in order to pay for the staggering cost of providing for men and supplies. At the beginning of the war in 1775, the federated colonies had a total money supply of \$12 million. But the Continental Congress issued another \$2 million by June, and authorized another \$4 million soon

thereafter. The presses churned out the money year after year as the war dragged on, until the original \$12 million had another \$227 million added to it —plus \$200 million in money-like certificates issued by the Continental Army — in addition to the money issued by the states. It amounted to an increase of 5000 percent in five years.

The result of all that money chasing goods was runaway inflation. Thomas Jefferson saw what happened and called it by its right name — taxation — which he called “the most oppressive of all because [it is] the most unequal of all.”

When the country returned to money backed by precious metals, the country also returned to a stable currency and to prosperity. This is a lesson that evidently must be relearned by future generations.

Origins of the Fed

It was ironic that the very country from which the Revolutionaries sought to free themselves — England — gave them their example of a financial institution that again controls them. Yet that is exactly what happened. Following the example of the Bank of England, the Continentals organized the Bank of North America in 1781. The ambitious name was because they hoped Canada would join them in a continent-wide nation free of British rule. That was not to be their only disappointment.

The Bank of North America — a private bank that functioned as a central bank — was not given the power to directly issue the nation’s money, but it could produce bank notes the government would accept. The bank was the depository for Federal funds, and immediately created out of nothing more than a million dollars, which it loaned to the government. Other sleights of hand with gold loaned from France, money created out of nothing and loaned to bank officers, brought the bank to low esteem. It was yet another casualty of the Revolutionary War and the bank’s charter was not renewed.

The entire concept of a central bank had been discredited. Yet the prospect of the power to create money from nothing is so appealing that the U.S. Congress again succumbed. Congress may have been empowered only to “coin” money, but it desperately wanted to “print” it. And so, Congress pulled a fast one by delegating the right to print money to a separate entity, and then “borrowed” this printed money and spent it. The kicker is that the entity that “lends” this money is actually creating it out of thin air.

Today the IOU's the government creates are the bonds and T-bills you and I buy — with the money the bank has created. Congress has gotten around the Constitutional proscription against creating bills of credit by having the Federal Reserve Bank perform this job.

Thus was born America's second central bank in 1791 — the Bank of the United States. Like the previous bank, the new one was made the official depository of federal funds and was given the monopoly of issuing bank notes. These notes were not forced on the public for private debts, but the government would take them for taxes and duties. The bank was required to redeem its notes in gold or silver. The purpose of the bank was to create money for the federal government, and like its predecessor, issued so much that the result was inflation. In five years wholesale prices rose by 72 percent, which was tantamount to a hidden tax on the citizens. And, as always, it was the fundamental backbone of society that was hurt the worst. Those that faithfully saved money for investment and their retirement saw those savings evaporate through government fraud. The Bank of the United States became a hot political issue in its day, and its charter was not renewed.

By 1811, it went the way of its predecessor and was out of business. The War of 1812 again put Washington in the position of wanting more money than it had. The war was so unpopular that Congress feared levying taxes to pay for it. Yet the past method of conjuring up money out of a central bank was denied to them. Instead, the U.S. government encouraged the proliferation of private banks, from which it borrowed, and then relieved them of the obligation to redeem their notes with gold or silver.

Banks loaned out in paper money much more than they actually had on deposit in hard currency. By 1814, when people wanted their silver and gold and the banks were unable to deliver, many of these banks failed, leaving note holders ready to riot.

The chaos in banking gave support to arguments for yet another national bank. In 1816, Congress gave a 20 year charter to the Second Bank of the United States — it was actually the third central bank by that time. In a great irony, this bank refused to accept any notes from other banks unless the notes were redeemable by gold or silver on demand. But when the other banks made the same demand back, the Second Bank of the United States recanted on the issue of hard money.

This bank was more efficient in extending its reach across the young and growing country, so its acts of expanding and contracting the money supply had dramatic impact in the national economy. Once again, the

American public wanted a sounder currency. So strong was the sentiment that Martin Van Buren and Andrew Jackson worked within the new Democratic Party to abolish the national bank. When Jackson was elected in 1828, that's exactly what he set about doing. The bank's existence became the central issue facing the nation, until it, too, was finally put to rest by 1837.

Jackson was successful in instituting several monetary reforms — such as requiring the use of hard currency or coin for transactions under \$5. But times were changing, people began using checks instead of bank notes for their major transactions. This left bankers the opportunity to once again lend out much more than was on deposit — money in circulation almost doubled in four years. When the contraction in the money supply came, as it inevitably did, banks failed and depositors were the losers.

To protect depositors, states such as New York devised a “safety fund,” as early as 1829. New York banks were required to contribute from one half of one percent up to a total of three percent of their total capital stock to this fund. When the crash came in 1837 the banks were swamped with depositor demands for their money. The only thing that saved the system was that the State of New York agreed to accept the now worthless bank notes as payment for canal fees. In other words, the taxpayers picked up the burden, as they have ever since. This system is the precursor to the Federal Deposit Insurance Corporation, or FDIC.

The Civil War, like the Revolutionary War, encouraged the government to create more money. During fiscal year 1861, expenses for the Federal Government had been only \$67 million. After the first year of war, expenses rose to \$475 million. By war's end they were \$1,300 millions. Taxes covered only 11 percent of that total. The national deficit swelled to \$2.61 billion.

There was no central, national bank at the time and smaller, state banks were not in a position to create enough receipt money to pay for the war. The North issued bonds to be paid at the end of the war in gold, but that was not enough to pay the bill. An income tax was tried, but it was extremely unpopular. The only option was to print money not backed by precious metals. The \$432 million of them printed during the war became known as “greenbacks.” In effect, the government became its own Federal Reserve Bank by issuing money from nothing as a wartime expedient.

The pressure of war led to other creative efforts. The National Banking Act of 1863 established a system of nationally chartered banks — not one

central bank. But control was firmly held in the East. It was a wartime emergency tool to create a market for government bonds which were transformed into money, a process that later became the model for the Federal Reserve Systems' money creation machine.

What happened is that the Federal government issued government bonds, which the bank purchased. The bank immediately turned them back to the Treasury, which exchanged them for an equal amount of "United States Bank Notes," with the bank's name engraved on them. These notes were legal tender for taxes and duties, and therefore most people accepted them as cash. Money was created from nothing — government debt was transformed from bonds into cash.

The money so created during the Civil War was not considered legal tender for all debts — just what was owed to the government. The official money was government issued coins and greenbacks. (Ironically, the South never did issue its own coins — U.S. and private coinage remained legal tender throughout the South during the war.)

Money created in this shell game fashion did become the legal tender of the nation with creation of the Federal Reserve Bank half a century later. With the Federal Reserve System, the government creates money by converting debt into legal tender through loaning to a system of its own creation. The original intention of the Founding Fathers, that America's money be backed by precious metals, was completely thwarted. It was sacrificed as an expedient in waging war. Now that the wars are over, there is no incentive to return to safer ground.

Problems

What would you do if you had the power to create money out of nothing? Would your area of temptation be toward pleasure and sensual thrills? That's the temptation of young people. The old, gray heads running the show at the Federal Reserve lean toward the weakness of older men — toward power.

With the ability to create money, the Federal Reserve is a player in the game of co-opting and controlling the world. The Fed has become so effective in manufacturing money out of nothing that it has become the model for the IMF (International Monetary Fund). In fact, this organization could not exist without the flow of American dollars created by the Federal Reserve. Central Banks of industrialized nations, just like the Federal Reserve — guarantee loans to developing countries. This means that if the borrower defaults, the taxpayers of the lending nations pick up the debt

themselves. This money props up cooperative heads of state by giving them access to vast wealth.

The game that is being played now involves co-opting the heads of state of less developed countries. The world's largest and most influential banks make loans to these governments. These countries are frequently unable to repay the loans. They then offer to pay the interest only or default altogether. To keep these loans out of the default column, Fed supported major banks make ever-larger loans so the interest payments can stay current on their books. In this way, the largest U.S. banks are assured of not suffering defaults whilst booking huge interest income, and eventually will have the taxpayers to bail them out when the debts simply become to overwhelming to refinance.

Former enemies now find themselves beholden to the IMF. Russia and her former satellites now grovel for the dollars that only the Federal Reserve-backed world economy can provide. Thus, entire countries are brought into vassalage to the international fund, to the machine that churns out money from nothing. This system is accountable to no one government and is beyond almost everyone's control, yet has as its base of power, the ability to saddle you and I with repaying the obligations it makes.

It bears repeating that when the founders of the U.S. Constitution spoke of paper money, they were actually referring to fiat currency, or a form of paper money that has no backing and is nothing more than a bill of credit representing increased government debt. This is completely different from a paper currency that represents, in effect, a claim check on something considered of universal value, such as gold, silver, grain, or some other sought after commodity.

George Mason, a delegate from Virginia to the original Constitutional Convention stated he had a "mortal hatred of paper (fiat) money." He is quoted as saying, "Paper money is founded upon fraud and knavery." Oliver Ellsworth, the third Chief Justice of the Supreme Court, said:

"This is a favorable moment to shut and bar the door against paper money. The mischief of the various experiments which have been made are now fresh in the public mind and have excited the disgust of all the respectable parts of America."

George Reed, a Delaware representative to the Constitutional Convention, declared that a provision in the Constitution granting the new government the right to issue fiat money "would be as alarming as the mark of the beast in Revelations." And, John Langdon from New Hampshire warned

that he would rather reject the whole plan of federation than to grant the new government the right to issue fiat money. George Washington was of a similar opinion as were the vast majority of those assembled to produce, as Gladstone put it: “Themost wonderful work ever struck off ... by the brain and purpose of man.”

So what happened? How did this heroic beginning slide into a situation so wanton that it strips us of our liberty and deprives us of our property? In G. Edward Griffin’s wonderful book entitled *The Creature from Jekyll Island*, which I highly recommend, he says:

“The accepted version of history is that the Federal Reserve was created to stabilize our economy. Even the most naïve student must sense a grave contradiction between this cherished view and the System’s actual performance. Since its inception, it has presided over the crashes of 1921 and 1929; the Great Depression of ’29 to ’39; recessions in ’53, ’57, ’69, ’75, ’81, a stock market “Black Monday” in 1987, and a 1000% inflation which has destroyed 90% of the dollar’s purchasing power.”

It takes well over \$10,000 to buy now what it took only \$1,000 to acquire when the Federal Reserve was formed to “stabilize our economy.” This incredible loss in value was quietly transferred to the federal government in the form of hidden taxation, and the Federal Reserve System was the mechanism by which it was accomplished. The details of the creation of the Fed have now largely come to light — it was the brainchild of Paul Warburg, working in concert with the authors of the most famous monopolies of all times, the Rothchilds, Morgans, Rockefellers, and other extremely wealthy influential world players. Daddy Warbucks of *Little Orphan Annie* fame was patterned after the life and character of Paul Warburg.

Anthony Sutton, former Research Fellow at the Hoover Institution for War, Revolution and Peace, and also Professor of Economics at California State University at Los Angeles provides unique insight:

“Warburg’s revolutionary plan to get American Society to go to work for Wall Street was astonishingly simple. Even today, academic theoreticians cover their blackboards with meaningless equations, and the general public struggles in bewildered confusion with inflation and the coming credit collapse, while the quite simple explanation of the problem

goes undiscussed and almost entirely uncomprehended. The Federal Reserve System is a legal private monopoly of the money supply operated for the benefit of the few under the guise of protecting and promoting the public interest.”

The United States government has succumbed to the attraction of spending whatever it will, without the bureaucracy actually having the funds to pay for its excesses. Taxes, always an unpopular issue, can now be reduced while government spending goes unchecked, merely by government waving their magic wand and “emitting bills of credit” to the Federal Reserve who in turn creates more fiat money to put in circulation.

History will not be forever robbed of its lessons. Inflation ALWAYS follows the circulation of fiat money. Inflation is the hidden tax paid by every one of us as we are robbed of real equity.

Given the precarious state of an interdependent economy it is a good idea to set something aside that has historical value as money, just in case the worst happens in our lifetime, and we see a temporary collapse of the economic system due to irresponsible government and fiat money.