

The Creature from
Jekyll Island

"The Story of the Federal Reserve"

By Edward Griffin

This is a transcription of a taped talk given by Edward Griffin, author of *The Creature from Jekyll Island* in which he discusses the 1910 origin of The Federal Reserve.

Introduction:

Mr. Griffin is a graduate of the University of Michigan where he majored in Speech Communication. He is the recipient of the Telly Award for Excellence in TV Production. He is the founder of the Cancer Cure Foundation and has served on the board of directors of the National Health Federation and the International Association of Cancer Victims and Friends. He is a contributing editor for the New American Magazine and is President of American Media, a publishing and video production company in southern California.

More Information in Mr. Griffin and his books can be found at –

The Creature from Jekyll Island written by Edward Griffin -
<http://realityzone.stores.yahoo.net/creature.html>

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<http://www.freedom-force.org/>

Edward Griffin:

We'll start way back in history to give some kind of historical perspective to this; we'll go back to the first century BC and the tiny kingdom of Phrygia. There was a philosopher by the name of Epictetus and it was Epictetus who said "Appearances are of four kinds: things either are as they appear to be; or they neither are nor appear to be; or they are but do not appear to be; or they are not and yet appear to be." When I read that statement for the first time, I had a big chuckle over it and I thought for sure that if Epictetus were alive today he would probably be a Harvard professor of money and banking; it sounds like so many explanations that I have read about various aspects of the Federal Reserve System. What he did was he took a fairly simple concept but by the time that he was through explaining it, we didn't have any idea what he was talking about. All Epictetus said was that appearances can sometimes be deceiving. That's all he said but by the time he was through explaining the four different ways in which they can be deceiving, we were left back at the switch somewhere.

Nevertheless, I thought, accidentally perhaps, Epictetus had given me a track to run on so-to-speak. Actually it could be the theme since if there's anything in the world that is deceiving it is the [Federal Reserve System](#). In fact, it is one of those appearances of the fourth kind which are those appearances which are not and yet appear to be. I'm going to use that as sort of a hook on the topic. We'll come back to it from time-to-time and punctuate it if I can remember to do that because it tells us something at the most fundamental level about the Federal Reserve System and that is that appearances can be deceiving.

When I did my research on this topic I came to the startling conclusion that the Federal Reserve System does not need to be audited, it needs to be abolished. This is very intriguing to think we should audit the Fed but I discovered that probably if they audited the Fed it would get a clean bill because it's undoubtedly doing exactly what it's supposed to do according to the law. What it is supposed to do according to the law is justification for abolishing it so all we have to do is understand what the Federal Reserve System is supposed to do and we'll be pretty upset about it. The fact of the matter is that most people haven't the foggiest idea of what it is in fact supposed to do.

I came to the conclusion that the Federal Reserve needed to be abolished for seven reasons. I'd like to read them to you now just so that you get an idea of where I'm coming from, as they say. I put these into the most concise phrasing that I can to make them somewhat shocking and maybe you'll remember them:

1. The Federal Reserve is incapable of accomplishing its stated objectives.
2. It is a cartel operating against the public interest.
3. It's the supreme instrument of usury.
4. It generates our most unfair tax.
5. It encourages war.
6. It destabilizes the economy.

I don't know what you think about those seven points. I know a lot of you folks agree with them right off the bat, but I presume that there are some skeptics here tonight and I hope there are otherwise I am the minister talking to the choir. I know in fact that there are always quite a few skeptics that come to these meetings and frankly you are the folks I'm talking to tonight because once, not too long ago, I was in that same frame of mind. I would've thought to myself those are rather extreme statements, I don't think they can be supported by fact. Though time doesn't permit me to cover all of those seven points here tonight, I would like to splash around on the first

four topics for a little while and show you that there is in fact quite a bit of reason for a rational person to conclude that those statements are true.

I think the best place to begin is with the formation of the "creature from Jekyll Island"; the creation of the Federal Reserve. It takes me back to the title of the book "The Creature from Jekyll Island" and anybody that's here thinking that we're going to show a movie which is a sequel to Jurassic Park, you're in the wrong place. The title was designed, of course, to attract attention but it does have a great deal of significance to it. For those of you who have not yet had a chance to delve into this, I should explain to you that Jekyll Island is a real island that's off the coast of Georgia. It was on that island back in 1910 that the Federal Reserve System was created at a highly secret meeting that took place there. What I'd like to do is illustrate to you that the meeting did in fact take place and I'll show some of the documentation that is available for that to prove that the secrecy was extreme and then we'll come face-to-face with the question "why the secrecy"? When things are done in secret quite often there's something to hide and we'll explore what it was that they wanted to hide. Once we've come to an understanding of that, then we'll finally understand a very important aspect of the Federal Reserve System which is not generally understood.

Back in 1910, Jekyll Island was completely privately owned by a small group of millionaires from New York. We're talking about people such as J. P. Morgan, William Rockefeller and their associates. This was a social club and it was called "The Jekyll Island Club." They owned the island and it was where their families came to spend the winter months. There was a magnificent structure there, the clubhouse, which was the center of their social activities. That clubhouse is still there, by-the-way. The island has since been purchased by the state of Georgia, converted into a state park and the clubhouse has been restored and you can visit it. I think you'd be very impressed by it. As you walk through the downstairs corridors you'll come to a door and on the door there is a brass plaque and it says: "In this room the Federal Reserve System was created." This is not a secret anymore; it's a matter of public record. Around the clubhouse there were some cottages as they were called which were built by some of the families to quarter themselves. They're attractive little things; they were magnificent examples of the architecture of the turn of the century. One of the cottages through which they take tours if you're interested in doing that, as I recall the guide told us that there were 14 bathrooms in that cottage--not exactly what we would call a cottage.

The clubhouse is where the Federal Reserve System was created. Let's retell that story in detail and see how it came about. The year was 1910, that was three years before the Federal Reserve Act was finally passed into law. It was November of that year when Senator Nelson Aldrich sent his private railroad car to the railroad station in New Jersey and there it was in readiness for the arrival of himself and six other men who were told to come under conditions of great secrecy. For example, they were told to arrive one at a time and not to dine with each other on the night of their departure. They were told that should they arrive at the station at the same time they should pretend like they didn't even know each other. They were instructed to avoid newspaper reporters at all cost because they were well-known people and had they been seen by a reporter they would've asked questions. Especially if two or three of them had been spotted together, this would've raised eyebrows and they would've asked a lot of questions. One of the men carried a shotgun in a big black case so that if he had been stopped and asked where he was going he was prepared to say that he was going on a duck hunting trip. The interesting thing about that part of the story is that we find out later from his biographer that this man never fired a gun in his life, in fact he borrowed that shotgun just to carry with him on this trip as part of the deception.

Once they got on board the private railroad car this pattern continued. They were told to use first names only, not to use their last names at all. A couple of the men even adopted code-names. The

reason for that is so that the servants on board the train would not know who these people were. They were afraid that if the servants would talk about it then the word would leak out and it might get into the press. They traveled for two nights and a day on board this car and they arrived after a 1,000 mile journey to Brunswick, Georgia. From there they took a ferry across the inland straits and they ended up on Jekyll Island in the clubhouse where for the next nine days they sat around the table and hammered out all the important details of what eventually became the Federal Reserve System. When they were done they went back to New York.

For quite a few years thereafter these men denied that any such meeting took place. It wasn't until after the Federal Reserve System was firmly established that they then began to talk openly about their journey and what they accomplished. Several of them wrote books on the topic, one of them wrote a magazine article and they gave interviews to newspaper reporters so now it's possible to go into the public record and document quite clearly and in detail what happened there.

Who were these seven men? The first one I have already mentioned, Senator Nelson Aldrich was the Republican whip in the Senate, he was the chairman of the National Monetary Commission which was the special committee of Congress created for the purpose of making a recommendation to Congress for proposed legislation to reform banking. The public was quite concerned in those days over what was going on in the banking industry; a lot of banks were folding, people were losing their investments in banks, they had broken their promise to guard the depositors assets, there were runs on the bank, banks couldn't give the people their money back. In particular they were concerned over the concentration of wealth in the hands of a few large banks in New York on Wall Street. This is what they called the "money trust" in those days. The money trust was a common phrase. Quite a few politicians had been elected to office on their campaign promise to break the grip of the money trust. President Wilson was one of those politicians that campaigned on that even though Wilson was himself hand-picked by the money trust and financed by the money trust and surrounded by the money trust--all of his advisors and politic cronies. The public didn't know that at the time and it was a popular issue. If you campaigned against the money trust you were quite apt to be elected and that was what I call "the people you love to hate" money trust.

That was one of the purposes of the National Monetary Commission which was to propose legislation to break the grip of the money trust and Aldrich was chairman of that committee. He was also the very important business associate of J. P. Morgan. He was the father-in-law of John D. Rockefeller, Jr. which means that eventually he became the grandfather of Nelson Rockefeller, our former vice-president. You remember his full name was Nelson Aldrich Rockefeller; his middle name being derived from his famous grandfather.

The second important person there was Abraham Andrew who was Assistant Secretary of the Treasury. He later became a Congressman and he was very important in banking circles.

Frank Vanderlip was there. He was the President of the National City Bank of New York which was the largest of all of the banks in America representing the financial interests of William Rockefeller and the international investment firm of Kuhn, Loeb & Company.

Henry Davison was there, the senior partner of the J. P. Morgan Company. Charles Norton was there; he was the President of the First National Bank of New York which was another one of the giants. Benjamin Strong was at the meeting; he was the head of J. P. Morgan's Banker's Trust Company and Benjamin Strong three years later would become the first head of the Federal Reserve System.

Finally, there was Paul Warburg who was probably the most important at the meeting because of his knowledge of banking as it was practiced in Europe. Paul Warburg was born in Germany and eventually became a naturalized American citizen. He was a partner in Kuhn, Loeb & Company and was a representative of the Rothschild banking dynasty in England and France where he maintained very close working relationships throughout his entire career with his brother, Max Warburg, who was the head of the Warburg banking consortium in Germany and the Netherlands. Paul Warburg was one of the wealthiest men in the world. In fact, those of you who are Little Orphan Annie fans will remember Daddy Warbucks. Daddy Warbucks was the characterization of Paul Warburg and everyone at the time was well aware of that fact. I have his photograph in my book and if you compare the photograph to the cartoon drawing you'll see the resemblance between Paul WARburg and Daddy WARbucks. And while we're on the topic of cartoon characters, if you played Monopoly, you remember the drawing of the capitalist with the handle-bar mustache and the cigar? That's J. P. Morgan.

These were the seven men aboard that railroad car who were at Jekyll Island. Amazing as it may seem, they represented approximately 1/4 of the wealth of the entire world. These are the men that sat around the table and created the Federal Reserve System. For the skeptic who's wondering it didn't happen that way surely Griffin is exaggerating to make some kind of a point. Let me put your mind at ease that it did happen that way (perhaps not at ease but in a state of tension).

How do we know? For example, Frank Vanderlip who was at the meeting wrote an article that appeared in the Saturday Evening Post on February 9, 1935 and I'd like to read for you just a short excerpt from that article. This is what Vanderlip said: "I do not feel it is any exaggeration to speak of our secret expedition to Jekyll Island as the occasion of the actual conception of what eventually became the Federal Reserve System. We were told to leave our last names behind us. We were told further that we should avoid dining together on the night of our departure. We were instructed to come one at a time and as unobtrusively as possible to the railroad terminal on the New Jersey littoral of the Hudson where Senator Aldrich's private car would be in readiness attached to the rear-end of a train to the south. Once aboard the private car we began to observe the taboo that had been fixed on last names. We addressed one another as Ben, Paul, Nelson and Abe. Davison and I adopted even deeper disguises abandoning our first names. On the theory that we were always right, he became Wilbur and I became Orville after those two aviation pioneers the Wright brothers. The servants and train crew may have known the identities of one or two of us, but they did not know all and it was the names of all printed together that would've made our mysterious journey significant in Washington, in Wall Street, even in London. Discovery we knew simply must not happen."

Why not? why the secrecy? what's the big deal about a group of bankers getting together in private and talking about banking or even banking legislation. And the answer is provided by Vanderlip himself in the same article. He said: "If it were to be exposed publicly that our particular group had gotten together and written a banking bill, that bill would have no chance whatever of passage by Congress." Why not? Because the purpose of the bill was to break the grip of the money trust and it was written by the money trust. And had that fact been known at the get-go, we would never have had a Federal Reserve System because as Vanderlip said it would have had no chance of passage at all by Congress. So it was essential to keep that whole thing a secret as it has remained a secret even to this day. Not exactly a secret that you couldn't discover because anybody can go to the library and dig this out, but it is certainly not taught in textbooks. We don't know any of this in the official literature from the Federal Reserve System because that was like asking the fox to build the henhouse and install the security system.

That was the reason for the secrecy at the meeting. Now we know something very important about the Federal Reserve that we didn't know before, but there's much more to it than that. Consider

the composition of this group. Here we had the Morgans, the Rockefellers, Kuhn, Loeb & Company, the Rothschilds and the Warburgs. Anything strange about that mixture? These were competitors. These were the major competitors in the field of investment and banking in those days; these were the giants. Prior to this period they were beating their heads against each other, blood all over the battlefield fighting for dominance in the financial markets of the world. Not only in New York but London, Paris and everywhere. And here they are sitting around a table coming to an agreement of some kind. What's going on here? We need to ask a few questions.

This is extremely significant because it happened precisely at that point in American history where business was undergoing a major and fundamental change in ideology. Prior to this point, American business had been operating under the principles of private enterprise--free enterprise competition is what made American great, what caused it to surpass all of the other nations of the world. Once we had achieved that pinnacle of performance, however, this was the point in history where the shift was going away from competition toward monopoly. This has been described in many textbooks as the dawning of the era of the cartel and this was what was happening. For the fifteen year period prior to the meeting on Jekyll Island, the very investment groups about which we are speaking were coming together more and more and engaging in joint ventures rather than competing with each other. The meeting on Jekyll Island was merely the culmination of that trend where they came together completely and decided not to compete--they formed a cartel.

I need to define that word so that you will know what I mean when I use the word cartel. It is a group of independently owned businesses which come together for the purpose of reducing or eliminating competition between themselves to enhance their profit margin or to secure their positions in the market. They do this by various means one of which is price fixing--no competition on price. There are other means. If we were forming a cartel here I might insist that I get the north and you can have the south and we won't compete. Or I would say I'll produce the gizmo and you can have the widget and we won't compete or we'll share patents and processes and whatever we do we agree to eliminate competition between ourselves. The more layers of agreement that we put one on top of the other, the more we become encased in this cartel structure and we become as one insofar as the market is concerned even though within that grouping we are separately owned.

This is just as true with a banking cartel as it is with any other industry. We come to the conclusion when we analyze the nature of the Federal Reserve System how it operates, read the Federal Reserve Act, place it against the context of the historical background and we come smack to the realization that the Federal Reserve System although it parades around looking as though it's a government operation of some kind, is merely a cartel of banks right under our noses and it is protected by law. I sometimes get the impression that it's been there dangerously operating all these years and we didn't even know it. I saw a video some years ago about the lava tubes in Hawaii. They are very impressive because apparently once in a while the ground will just break out, a hole will fall down and you can look into the hole and you see that there's a river of lava actually flowing just a few feet under your feet and you don't even know it's down there unless something breaks through and you hope you're not on the piece that breaks through. I got the feeling that this is how the Federal Reserve has been operating right under our feet; this cartel has been running and we didn't even know it because that fact has been carefully concealed from us.

Conclusion number 2 about the Federal Reserve System, a very important thing that we didn't know is the cartel. There's even more to it than that. Perhaps the third ingredient is the most important of all and that is the realization that this cartel went into partnership with the government. Now we have hold of something extremely significant. Cartels often go into partnership with governments because they need the force of law to enforce their cartel agreement but in this case they did it in spades.

Whenever a partnership is formed there has to be a benefit to the partners otherwise they don't form it. So we need to ask the question what is the benefit, the payoff, for these two partners? Why did they go into it? Why did the government go into a partnership like this and why does the banking cartel? In answering those questions we finally come to grips with the reality of what this creature from Jekyll Island is. Let's take a look at that; what's the payoff to these two partners? In order to see that we'll have to examine in some detail the mechanism by which the Federal Reserve System creates money. This is a real interesting study. I call it the "Mandrake Mechanism" named after that comic-book character of the 40s, Mandrake the Magician, who could create something out of nothing and then wave his cape and it was back into the void again. That's a pretty descriptive phrase for the way the Federal Reserve System does it.

Let's take a look at it and see how they create money through the Mandrake Mechanism. I am going to do this in a very simplified form. I want to warn you that it's going to sound like it's too simple. It's not. I'm going to strip out all the banking terminology, all the banker language, all the accounting phrases that need to be defined and speak in very plain English that anybody can understand. It may sound to you as though I've simplified it too much and I want to assure you that in spite of the simple language everything I'm going to tell you is absolutely 100% technically accurate. The other thing I want to warn you about is don't try and make sense out of this because it can't be done; this does not make sense and you'll blow a fuse trying to make it make sense. Just remember that it is a scam and if you keep that fact in mind then you'll have no trouble comprehending what's going on.

Here's how it works. It starts with the government side of the partnership, it starts in Congress which is spending money like crazy. It spends far more money than it takes in. It is spending way beyond its income. How can it do that? Basically this is what happens. Let's say Congress needs an extra billion dollars today so it goes to the treasury and says "we want a billion dollars" and the treasury official says "you guys have got to be kidding, we don't have any money here, you spent it all a long time ago, everything that we've taken in taxes you fellows have spent by March." Congress says "we thought that was true but we thought we'd stop by just in case somebody sent some more in." They get together and they go down the street and they get the idea that we'll borrow the money. So they stop at the printing office and they don't print money at the printing office, they print certificates and they're very fancy things with borders on the edge with an eagle across the top and a seal at the bottom and it says "US Government Bond" or "Note" or "Bill" depending on the length of the maturity of it. If you hold it up to the light it really says "IOU" because that's what it is. They print these things up and it looks very impressive and then they offer them to the private sector; they're hoping that people will come up and loan money to the federal government and a lot of people do and are anxious to lend money to their government. Why? Because they've been told by their investment advisors that that's the most sound investment that you can make. Why? We've all heard that these loans are backed by the full faith and credit of the US government. They're not quite sure what that means but it sure sounds good. I'd like to explain for you who are in doubt what that means. The full faith and credit of the US government means that the government solemnly promises to pay back that loan plus interest if it has to take everything you and I have in the form of taxes in order to do it, it's going to do it. It will take everything we have if necessary to hold its pledge. People don't realize that they're putting themselves on the line, they're going to get their own money back minus a substantial handling fee.

Plenty of money is loaned to the government but never enough. Congress needs more money than that. They say not to worry. They go further down the street to the Federal Reserve building. The Fed has been waiting for them, that's one of the reasons it was created. By the time they get inside the Federal Reserve building the officer of the Fed is opening his desk drawer. He knows they're going to be there and he's ready and he pulls out his checkbook and he writes a check to the US

Treasury for one billion dollars or whatever the amount is that they need. He signs the check and gives it to the treasury official.

We need to stop here for a minute and ask a question. Where did they get a billion dollars to give to the treasury? who put that money into the account at the Federal Reserve System? The amazing answer is there is no money in the account at the Federal Reserve System. In fact, technically, there isn't even an account, there is only a checkbook. That's all. That billion dollars springs into being at precisely the instant the officer signs that check and that is called "monetizing the debt," that's the phrase they throw at you. That means they just wrote a check, a big rubber check. If you and I were to do that we would go to jail but they can do it because Congress wants them to do it. In fact, this is the payoff, this is the benefit to the government side of this partnership, this is how the government gets its instant access to any amount of money at any time without having to go to the taxpayer directly and justify it or ask for it. Otherwise, they would have to come to the taxpayer and say we're going to raise your taxes another \$3,000 this year and of course if they did that, they would be voted out of office real fast. They like the Mandrake Mechanism because it's a no questions asked source of money. You may have noticed that it's been many years since Congress has even discussed what anything costs, it's not an issue. It doesn't make any difference what the cost is because regardless of the overrun they know they can go down the street to the Federal Reserve and by law the officer has to write that big check and give it to them and they're off and running.

There in a nutshell is the reason the government likes the Mandrake Mechanism--easy instant access to any amount of money of any kind without the taxpayer being involved directly in the loop. But what about the banking side? This is where it really gets interesting. Let's go back to that billion dollar check. The treasury official deposits the check into the government's checking account and all of a sudden the computers start to click and it shows that the government has a billion dollar deposit meaning that it can now write a billion dollars in checks against that deposit which it starts to do real fast. For the sake of our analysis, let's just follow \$100 out of that billion in a check that for some reason they write to the fellow that delivers the mail to our door. The postal worker gets a check for \$100 and he looks at this thing and he can't imagine in his wildest dreams that that money didn't exist two days ago anywhere in the universe. It's spendable so he wouldn't even care if you told him. He deposits it now into his personal checking account. Now we're finally out of the Federal Reserve and out of the government's check and we're into the private banking system. We're in finally to that part of the partnership which is involved in the cartel. A \$100 deposit has now been made in the local bank and the banker sees that and runs over to the loan window and opens it up and says "attention, everybody, we have money to loan, someone just deposited \$100." Everyone is overjoyed at that because that's one of the reasons they come to the bank, they come to borrow money. That's a sign of national health if you're in debt so they're anxious to know that the bank has money to loan, they line up for these loans. They heard the banker and they say \$100 that's not very much and he says not to worry we can loan up to \$900 based on that \$100 deposit. How can that be done? It gets complicated the way they do it and I'll tell you in very simple terms. The Federal Reserve System requires that the banks hold no less than 10% of their deposits in reserve. The bank holds 10% of that \$100 in reserve, \$10, and it loans this first fellow in line \$90. What does he do with it? He wants to spend it so he puts it into his checking account. In fact it probably goes directly into his checking account. Let's assume that they gave it to him and he puts it back, when he puts it back it's a deposit isn't it?

Only a \$100 deposit but \$900 in loans and that deposit is still there. Where did the \$900 come from and the answer is the same--there was no money. This springs into existence precisely at the point at which the loan is made. Notice the difference, an important distinction is when the money is created out of nothing for the government it is spent by the government. On the banking side, however, when it's created out of nothing it's not spent by the banks it is loaned by the banks to

you and to me and we spend it. Notice that when they loan it to us we have to pay them interest on it. Think about this for a minute. This money was created out of nothing and yet they collect interest on it which means that they collect interest on nothing. Not too shabby! What a concept, why didn't I think of that! I wish I had a magic checkbook like that where I could just write checks all day long and didn't have to have any money any place just checks, loan it to you folks and you're silly enough to pay me interest on it. That's how it works.

Now you see what the benefit is to the banking cartel for being involved in this Federal Reserve System, interest on nothing. The process doesn't end there, however. It has consequences to you and to me. I've heard some people say "isn't that interesting, these fellows are sure smart, I guess they deserve to be rich." It's as though we're out of the loop, it doesn't affect us any, they got rich but we're ok. Well no, they got rich alright but they got it by taking it from us. How does that work? Let's follow this.

This newly created money goes out into the economy and it dilutes down the value of the dollars that were already out there. It's like pouring water into a pot of soup, it dilutes the soup. So by throwing more and more money into the economic soup out there the money gets weaker and weaker and weaker and we have the phenomenon called inflation which is the appearance of rising prices. I emphasize the word "appearance" because in reality prices are not rising at all. What we're seeing is that the value of the dollar is going down, that's the real side of the equation. If we had real money based on gold or silver or anything tangible that couldn't just be created out of thin air, it could be based on microphones, that they couldn't just create with the stroke of a pen, you would see then that prices would remain stable over a long period of time.

To illustrate that point, it's interesting to know that if we had lived in ancient Rome with a one ounce gold coin we would've been able to buy a very fine toga, a hand-crafted belt and a pair of sandals--that was the price in Rome. Today, if we have a one ounce gold coin what can we buy with it? We can go into any men's store and buy a very fine suit, a hand-crafted belt and a pair of shoes. The price of these items hasn't changed in thousands of years when expressed in terms of real money but when expressed in terms of these things we carry around in our pockets called Federal Reserve notes which is not really money at all, fiat money anyway, the prices keep going up and up and up because the value of those units keeps going down and down and down because they keep making more and more and more of them and dumping them into the economic soup.

That's still not the end of the process. We lost some purchasing power through this process called inflation. We lost something and very few people ask the question "who got it"? It's as though nobody got it, we all lost it, it's like it evaporated and went up to heaven somewhere. No, somebody got it. For every loser there's a winner. Or I should say for every fifty losers there's one winner that gets it all. Somebody got it. Who? Those people that got our lost purchasing power are the ones who were right up at the point where the fresh money was injected into the economic pot of soup. The ones that got the money first gained because they had full purchasing power at that instant when the money was created. By the time they spent it and gave it to you and you spent it on something and gave it to him and by the time that it got out to the edge of the pot where most of us are it's diluted. The ones that were right up at the nozzle got our lost purchasing power. Who are they? Obviously the government was up there first. Remember the billion dollar check, the very beginning of this process went to the government and they spent it instantly and that money went out into the economy and that was the beginning of this ripple effect. Who else? The next ones were the people who were up at the loan window. They got the money that was freshly created by the banking system because they were the borrowers. We all know that in times of inflation borrowers gain, this is no mystery. We've been told and advised to borrow money and stay up to the hilt in debt because you borrow in dollars but because of inflation you can pay back with 50 cent pieces.

So everybody knows about this part of it. What they forget is that the alleged benefits of doing this are surrendered to the bank in the form of interest payments. They're really not gaining that much. The gain that they are getting through the inflation process they're having to give to the bank in the form of interest on nothing. And it seems that they're gaining because they have these paper profits. The value of this real estate is going up and up and up or the value of my stock is going up and up and up but it's all paper. As far as purchasing power is concerned it's not going up, up, up at all. Nevertheless they're still having to pay for that illusion in the form of interest payments on nothing.

Then comes the inevitable contraction of the economy. People don't realize that the economy moves traditionally like a sawtooth--it goes up gradually for a long period of time and seems like forever it's going to go up, you can plan on it forever and don't worry about it and then clunk! it falls down very quickly and then it starts the next long climb and people forget that every once in a while it comes down very abruptly. When it contracts people are extended out there and they can't service their debt and make the payments and they lose their assets.

Another interesting thing about this is that when the bank loans you money which it created out of nothing, it costed nothing to make it, it wants something from you. It wants you to sign on the dotted line and pledge your house, your car, your inventory, your assets so that in case for any reason you cannot continue to make your payments they get your marbles, they get all of your assets. They're not going to lose anything on this. Whether it's expansion or contraction, inflation or deflation the banks are covered and we like sheep go right along with it because we haven't figured it out, we don't know that this is a scam. Of course we have no choice either right now because it's all enforced by law. We have no escape. We have no choice but it's even better that we don't understand it because we can't complain about it either. There you have it.

The two groups that got our lost purchasing power--is anyone surprised?--the two members of the partnership, the government and the banking cartel. The two groups that comprise the Federal Reserve System.

This lost purchasing power which is going from us to them is a tax. We don't think of it as a tax but it is. We have no escape from it. In fact, it's more a tax than the income tax or the excise tax which you can escape in one way or another. You can't escape this one. There are no deductions, no exemptions, everyone pays it and it is the most cruel, unfair tax of all because it falls most heavily on those who can least afford to pay it. It falls on those on fixed incomes, those who are retired. Anyone who has saved their money is paying this tax in direct proportion to the degree to which they have been frugal. It's a tax even though we don't think of it as that and it's time to think of it as that. It's a tax that goes from us to the government and to the banking cartel.

Let's summarize. What is the benefit to the members of the partnership? The government benefits because it is able to tax the American people any amount it wishes through a process which the people do not understand called inflation. They don't realize they're being taxed which makes it real handy when you're going for re-election. On the banking side they're able to earn perpetual interest on nothing. I emphasize the word "perpetual" because remember when the loan is paid back it's turned around and loaned out to somebody else. Once that money is created the object of the bank is to stay "loaned up" as they say. In reality the banks can never stay 100% loaned up and that ratio varies a lot but the objective is to stay loaned up to whatever extent is possible. Generally speaking once this money is created in the loan process it is out there in the economy forever, perpetually earning interest for one of the members of the banking cartel which created that money.

There you have in a condensed form a crash course on the Federal Reserve System and I can assure you that you know more about the Federal Reserve than you would probably if you enrolled in a four year course in economics because they don't teach this reality in school.

So what, they say? Can you imagine that? I knew when I wrote this book and it got out that there would be some objection to it but I never dreamed what it would be. I couldn't think of any objection to it, I thought what are they going to say, what are the defenders of the Federal Reserve System going to say to me? I figured they were going to try and pick some error that I had made in some technical issue and try and make me look like a buffoon. But I never dreamed that the only opposition, at least that I've run into so far, is the question "so what"?

I was on the Pat Buchanan radio show about a month ago and they have a co-host which is usually a representative of the opposing point of view and this day they had a fellow by the name of Barry Lind(?) who was an ACLU type high-powered intellectual and I was kind of nervous thinking here it comes, I'm going to get it now and I'm going to be made a fool of right in front of all these millions of people out there in radio land. I was really worried. It's kind of hard on these radio shows to get your point across as they don't let you speak like you folks let me do here. The lion's share of the time goes to Buchanan and then the co-host gets his shot and then the commercials come in and you've got three minutes to say your whole thing and they're always interrupting you. I made my little shot as best I could and it was Barry Lind's turn and he looked at me and he said: "Well, what you say is true, but so what?" I couldn't believe it. And then he capped it with, which is the real argument: "We're living well aren't we?"

This is an interesting question and I have run into that repeatedly since then. What are you complaining about? We're living well aren't we? And the implication is that without this scam we couldn't be living well, without this scam somehow we'd be still crawling around in caves. We wouldn't have society with a high standard of living; we wouldn't have any of the things that we cherish without this scam, that's the whole implication. So how do you answer that? So what?

First of all, we are not living that well. People like Barry Lind are undoubtedly living very well and there are plenty of people in the system who are living very well. Generally those are the ones who are up at the nozzle where this new money is coming into the system or they're involved in the government or they have government subsidies if they're close to the nozzle. For most people, away from the nozzle, it's not going so well, we're not living that well. It is a matter of fact that the only reason that America has been able to maintain the appearance of a high standard of living since the Federal Reserve System has gotten into full swing, especially after WWII, is because of the shift towards two family incomes. It now takes two working people to just maintain the semblance of where we used to be with one person working in the family. And in spite of the two family income real wages are down for the common man today, real wages in terms of the number of hours a person must work in order to acquire the necessities of life. Young couples who are living on a single income now have a lower standard of living than their parents did. The net worth of the average household is falling. The leisure time for the average American is shrinking. The percentage of families who own their own homes is dropping. The age at which a family acquires its first home is rising. The number of families that are counted in the middle class is falling. The number of people below the poverty line is rising. Personal bankruptcies today are about three times what they were in the 1960s and over 90% of Americans are broke at the age of 65. So we're not living well at all as a result of this creature.

Furthermore, there's another thing wrong with it. That is that when you have a money supply based upon thin air it not only expands but it contracts. If it were based on gold or silver or microphones, the money supply couldn't expand and contract because there they are but when it's politically motivated it can contract and that is the core cause of all of the booms and busts that

have plagued America for so many years. In other words, this is the concept behind the recession and the depression and that is another thing that's wrong with it.

The third thing that's wrong with it is that it is dishonest. You don't really need anything more than that do you? Even if it were the element that was creating our prosperity, even if it didn't cause recessions and depressions the fact that it is fraud, the fact that it is deception, it's dishonest and theft is really a good enough reason in my opinion to get rid of it. That's what's wrong with this scam.

Let's go back to Jekyll Island. They had an interesting problem there which was what to call their creature. This partnership between government and banks which we've been discussing was not new with the Federal Reserve System. In fact, it was a concept that was created in Europe in the 16th century. It was perfected with the formation of the Bank of England in 1694 and from that point forward all of the governments of Europe had used this Mandrake Mechanism. They didn't call it the Mandrake Mechanism, of course, they called it a "central bank," that's the technical phrase for this partnership. If you want to look it up in a textbook or encyclopedia you'll find it under the heading "Central Bank."

From the Bank of England forward all the governments of Europe had central banks for a very good reason. The kings and princes of Europe had learned from hard experience that they could raise the taxes of their subjects only so high and then they had a revolt on their hands and they tended to lose their jobs (and heads). It appears that that natural level was about 40-43%; people will tolerate taxes up to about 40-43% and then they start digging in their heels and they just won't allow it to go any further. But with the central bank mechanism in place the lid was off. Now these governments could tax their people 50%, 60%, 70% and in some cases 80% of everything they produced and they did not have a revolt on their hands. They did not have resentment because the people didn't know that they were paying a tax. They knew that prices were going up, but they didn't understand why, they didn't know who was getting their lost purchasing power.

It was a nifty arrangement for these governments. It was at that point in history that governments' wars began to heat up. They always had wars but they were relatively small things because wars are expensive and the people won't pay more than 40% for everything including wars. But now that they had a way to tax higher than that, they could engage in very expensive wars. It's at that point in history that Europe plunged headlong into continuous war and big, very, very expensive wars. The people paid for them uncomplainingly through the process of inflation.

So when it came time to transplant this concept to America these seven men on Jekyll Island knew very well that they were creating a central bank; that was the reason that Paul Warburg was so valuable because he was the man with the intense knowledge, the detailed technical knowledge of how central banks operate. But they had a problem. How could they conceal that from the American people because Congress was already on record as saying they did not want a central bank in America. I don't think they knew what that phrase really meant, but they knew that Europe had them, whatever they were, and we didn't want any. They said in America if we're going to have banking reform we don't want what they do over in Europe, we want something that is unique for America and its principles and economy.

The problem before these men on Jekyll Island is what to call the central bank so that nobody would know it was a central bank. And they theorized over this and this was their strategy: they said first let's give it a name and we'll add the word "Federal" to it to make it sound like it's government. Then we'll add the word "Reserve" to make it seem like there are reserves somewhere, like it was a banking concept. We'll add the word "System," a very important word even though it may seem obscure now because remember in those days the concern was the

concentration of financial power in New York so they had to sell the idea of a system of regional banks which would diffuse that power all over the nation. First they talked about ten regions and then they said that wasn't enough, twelve regions, we'll have twelve banks. And we'll build big buildings out there in all of those regions so the local yokels can go and look at the building and say "golly we've got one of those out here." Diffusion of power away from New York; you can go and touch the building. The word "System" was very important.

When you look at it you realize that what they created there was not federal, there are no reserves, it's not a system at all in the sense of diffusion of power and these Federal Reserve banks aren't even banks. On all four words we're dealing with appearances of the fourth kind. It was brilliant strategy.

The next thing was to sell this creature to the public. The first draft of the Federal Reserve Act as it was presented to Congress was called the Aldrich Bill named after the sponsor, Senator Nelson Aldrich. This was against the good advice of Paul Warburg. He said: "Nelson, don't put your name on that bill because you are so identified with big business interests that Congress will vote it down; the people will not accept it." And apparently Aldrich's ego was too big. He must've said: "Well no, after all I'm highly respected in the Senate and I am the Chairman of the National Monetary Commission" and for whatever reason he insisted that his name be on the bill. It appears that he wanted to go down in history as the originator of the Federal Reserve System. Warburg was right. When the bill was introduced Congress put thumbs-down on it. "The Bill of Big Business."

They took the bill back for it was just a minor setback, they scrambled the paragraphs around a little bit, took Aldrich's name off real fast and they found a couple of Democrats to sponsor the bill. This was different. Everybody knew that the Republicans represented big business but they also knew that Democrats represented the common man, the little guy, the fellow on the assembly line (like Ted Kennedy). They found a couple of millionaire Democrats to sponsor the bill. They found Carter Glass in the House and Senator Robert Owen who himself was a banker. Now it was the Glass-Owen bill and it was totally different and acceptable.

The next thing, Aldrich and Vanderlip began to give speeches and interviews to newspaper reporters condemning the bill. They said: "This bill will be ruinous to banking. It will be terrible for the country." By the time the common man read that in his newspaper he said: "Oh golly, I guess these big bankers don't like the bill very much so it must be pretty good."

These fellows were not stupid. You have to give them credit. They didn't get to be where they were by being country bumpkins. They understood politics, they understood mass psychology and they played their cards exceedingly well. Meanwhile these same individuals out of their own pockets were paying the price for the costs of bringing up what they called grassroots study clubs all over the country. They sponsored these clubs and they held public meetings and printed brochures and pamphlets extolling the virtues of the Federal Reserve System. They gave large amounts of money to some of the better known universities in America; they created newly formed departments of economics with that money; they hand picked their own people to be the professors to head up those departments and then those professors with all of their academic credentials gave speeches and wrote scholarly essays extolling the virtues of the Federal Reserve System. And then at the insistence of Paul Warburg who was forever the master strategist, they added several very sound provisions to the Federal Reserve Bill. By that I mean they added some provisions which seriously restricted the ability of the Federal Reserve to create money out of nothing. Warburg's associates said, "Paul, what are you doing? We don't want those in there this is our bill." And his response was this, he said, "Relax fellas, don't you get it? Our object is to get the bill passed. We can fix it up later." Those were his exact words. "We can fix it up later." He was so right. It was because of

those provisions that they won over the support of William Jennings Bryan the head of the Populist Movement, the last hold-out against the bill. Bryan was concerned that this would be an instrument for ruining the nation's money supply but when he saw those provisions he said, "Oh well, those are good provisions, I guess I can support the bill now" never dreaming that this was temporary. Everything is temporary in politics. When people go to sleep things can get changed.

Warburg was right and they fixed it up later. The Federal Reserve Act since it was passed has been amended over 100 times. Every one of those provisions were long ago removed and many more have been added which greatly expand the power and reach of the Federal Reserve System to create money out of nothing. With this kind of professional strategy and deception these people were real professionals and the public didn't stand a chance. It is no surprise that popular support was finally gained for the bill and on December 22, 1913 the bill was passed by Congress and the following day was signed into law by President Wilson and the creature from Jekyll Island finally moved into Washington, DC.

Let's stand back from the creature a few paces and take a look at its general form and shape and see what it is we got. We got a corporation chartered by Congress which was given an exclusive franchise to create our nation's money supply. We got a mechanism whereby Congress has been able to raise unlimited taxes from the American people without them even knowing that they're paying a tax and we got a mechanism whereby the banks can earn perpetual interest on nothing. That is the shape and form of the creature from Jekyll Island.

Here's an interesting question, Who owns the Federal Reserve System? You hear a lot of discussion on this particularly on talk radio nowadays. When the subject of money comes up somebody calls in and says, "Did you know the Federal Reserve is completely owned by the private banks? It's a private corporation. What we need to do," they say "is abolish the Fed and turn it over to the government so they can operate it for the benefit of the people." Some of you are laughing and I'm sure there are some people here thinking what's wrong with that so let's analyze it.

First of all it is a half-truth and it is a non-solution. Let's deal with the half-truth first. It is true that the Federal Reserve System is not an agency of the federal government in any shape or form. As I mentioned before, it is a corporation that is chartered by Congress and like all corporations it has stock certificates and those stock certificates in this case are held by the banks within the Federal Reserve System. Every bank that's in the system is an owner of the Federal Reserve--remember this is a cartel. They own it in one sense of the word, in the sense that they have stock certificates but up to that point it looks as though it has all the attributes of a privately held corporation. But that's as far as it goes because those stock certificates do not carry with them any of the attributes of private ownership. For example, the holders of these certificates cannot sell them. If you can't sell something then you don't really own it, that's one of the tests of ownership, your ability to dispose of it. You cannot sell it. Furthermore the larger banks put up more money than the smaller banks, it's a ratio to their assets, so the larger banks have more stock certificates in the system than the small ones and yet regardless of the number that they hold, every bank has just one vote. There's another violation of the principle of private ownership. Furthermore that vote doesn't buy them anything. They can't vote for anything of substance; they cannot vote for their national management which is the most important thing, isn't it? The board of directors and chairman of the Federal Reserve System are appointed by the President, they're not elected by the banks that are part of the system, the President does that.

All that the local banks can vote for with their vote are the boards of directors of the regional banks, so-called, which are subdivisions within the system. They can't even vote for the leadership in their local subdivisions because the chairman and the vice-chairman of those 12 regional banks are appointed by the national board. They can vote for their officers at those regional banks, the

president, the vice-president and treasurer but guess what? Those are subject to veto by the national board. Get the picture? All power has always been at the top of this system. The only thing that the charter allows them to vote for, those boards of directors, of substance is to set the interest rates within their regions. But this should come as no surprise to anybody that even that is subject to veto by the national board. You see this concept of diffusion of power throughout the regions of the US is a scam. There is no power at the local level. There is nothing that these boards of directors who are voted in by the banks who hold the certificates can do of substance. All they're allowed to do really is play golf.

It is not a privately held corporation in the traditional sense of the word. This idea of diffusion of power over the 12 regional banks was just a necessity of 1913 to sell the concept to the American people. If it hadn't been for this aversion against the concentration of power in New York they would never have had these 12 regions; it's just a leftover from the necessity to sell it and doesn't serve any function whatsoever. So it's not a corporation in the traditional sense of the word, it's not a government agency in the traditional sense of the word so what is it? It's a hybrid, part corporation and part government, part private, part government. In fact, it is exactly what you would expect it to be considering the fact that it is a partnership between the private banking cartel and the government. It's a unique structure which was designed to perform a unique function.

Is it a solution to abolish the Fed and turn it over to the Congress to run on behalf of the people? At least we get the dirty bankers out of the loop, right? And that makes everybody feel good...well, we're not paying interest to the banks anymore but what happens? Now the government is running the whole thing by itself. Now that solves a lot of problems doesn't it? Now they're creating money out of nothing all by themselves. Well, they've always been able to do that. The government doesn't want to do that, that's the reason they got into this partnership in the beginning because when the government creates money directly it's too obvious. That's why the kings and princes of Europe couldn't do it. They printed money, that's how they did it generally, but when the government prints money you can see all this money around that says the government on there and you know exactly what's going on. They like to work through the banking system because when it appears in your checking account it doesn't say government on it and you don't know how it got there.

The government really doesn't want to do it that way but even if they did it wouldn't make much difference because it's not important who owns the Federal Reserve System. The important thing is what it does and as long as it a central bank, which means as long as it has the power and the mandate to create money out of nothing it will create money out of nothing. That's what it will do and it will continue to do exactly the same thing and be run no doubt by the same people as it is now and we would not have solved anything. We must keep in mind that in Europe all of the central banks there are in fact direct agencies of their respective governments; they are not hybrid organizations at all like ours. And yet in those countries they do exactly the same as the Federal Reserve System has been doing here. Just turning it over to the government is a non-solution.

Let's talk briefly about what the objectives of the Federal Reserve System are. We've been told over and over again that the purpose of the Fed is to stabilize the economy. Right now with the interest rates going up, up, up what are we told? Why are they doing that? Well, that's to stabilize the economy so we won't have massive inflation right? It's being done for us folks! Don't you feel just warm all over knowing that they're looking out for you? That's always the answer; the purpose of the Fed is to look out for us and stabilize the economy, put an end to banking anarchy and all that sort of thing. Right now the textbook that is most commonly used in our school systems in economics is a book written by Paul Samuelson and in that book here's what he says regarding the purpose of the Fed: "The Federal Reserve sprang from the panic of 1907 with its alarming epidemic

of bank failures. The country was fed-up once and for all with the anarchy of unstable private banking." That's what the students are learning.

Let's let that go for the moment and say ok if that is the purpose of the Fed, let's give it a report card and see how well it has done in stabilizing the economy. Since it was created in 1913 the Federal Reserve System has presided over the crashes of 1921 and 1929, the Great Depression of 1929-1939, recessions in the years 1953, 1957, 1969, 1975 and 1981, and a stock market Black Monday in 1987. We all know that corporate debt is soaring, personal debt is greater than ever before, both business and personal bankruptcies are at an all-time high, banks and savings and loan associations have failed in greater numbers than ever before in our history, interest on the national debt now consumes half of all of our tax dollars, heavy industry has all but been replaced by overseas competition, we're facing an international trade deficit for the first time in our history, 75% of downtown Los Angeles and other metropolitan areas are now owned by foreigners and over half of the nation now officially is in a state of recession.

That is the report card for the Federal Reserve System after 80 years of stabilizing our economy. I don't even think it's controversial to say that it has failed to meet its stated objectives. The only controversial part is why has it failed? My answer is because those have never been its real objectives at all.

What are its objectives? What are the objectives of any cartel? To make money for the members of the cartel, to improve the profit margins of the members of the cartel and to stabilize themselves in the marketplace. That is the true objective of the Federal Reserve System. Now if we hold that up as our guiding principle and give the Federal Reserve a report card it gets a different grade.

In particular I'd like to have you look with me at three particular objectives which were very well discussed in that period in which the Federal Reserve System was created. We always have to go back to that because we can learn so much from that period of history. There were three things that the bankers, particularly the ones on Jekyll Island, wanted the Federal Reserve Act to accomplish. What are they? The first one was to stop the erosion of their power away from New York. Just the opposite of what the Federal Reserve Act was sold to us as to accomplish, to keep the power of New York. They were concerned that as the nation was expanding westward and southward new banks were springing up all along the frontier and every year a little bit more of the nation's capital would drift away from New York. They still had the lion's share, of course, but they could see the chart and they knew that they had to put a stop to that now while they still had the power to do so. Competition is a sin said John D. Rockefeller I and that includes competition from these upstart banks.

It's a good point to mention that when I'm talking about the banking cartel I'm talking primarily about the big New York banks and not the local bank down the street that's struggling under the system. One of the purposes of the Federal Reserve System was to keep the lid on those new competitive banks so they could never grow and become large like the ones on Wall Street. The small banks have always been the target in this system and needed to be kept in line, to be regulated out of existence, a process which you've noticed has been going on for many, many years. There is objective number one, to keep control over the money markets in New York.

Objective number two was to reverse the trend of what is called private capital formation. That's banker language for a process in which an individual or a corporation uses their own savings to pay for something instead of going to the bank and borrowing it, if you can imagine that happening. It was happening at the turn of the century. The trend was that businesses in particular were withholding some of their dividends each quarter and putting that money into a sinking fund and then as the money accumulated or as the capital formed, then they finally had enough that they

could use their own money to build that new factory or to launch a research & development project or whatever instead of going to the banks and borrowing for it. The banks were very concerned over this trend because this is their life-blood. Loaning money is what they do so how do you loan money when people don't want to borrow it? The answer they knew, and they talked a lot about this, was to lower interest rates, get those rates down so that they were so attractive that people would be crazy not to come to the banks and borrow money at those good interest rates.

How do you lower interest rates? Today it's easy when you've got the lever at the Federal Reserve you just throw it up or down and interest rates go up or down; you have total control over it. In 1913 there was no lever. The money in those days was backed by gold and silver and they couldn't control it. They hated that. These guys hate gold and silver behind money because under those conditions interest rates are the result of the natural forces of supply and demand; they couldn't just create money out of nothing. It was the result of the interaction of millions of people bidding for products and services and digging money out of the ground, literally gold and silver and converting into money.

They were looking for a way to artificially push the interest rates down. How do you do that? They said the only way you can do that is with a flexible currency. That was the cry that they put up in those days. What the nation needs, they said, is a flexible currency to meet the demands of industry and agriculture. You still hear that phrase today--"flexible currency." What does that mean? You need a dictionary sometimes to look these phrases up. Flexible currency does not mean the paper stuff in our pockets that bends, it means money created out of nothing. The trick here is not hard to figure out. If you can create money out of nothing, you don't have to charge an awful lot of interest on it to show a profit. It's that simple. If you have a flexible currency you can in fact lower interest rates and still do pretty well, can't you? They wanted a flexible currency so they could lower interest rates and entice people back into the banks to borrow money and to reverse the trend toward private capital formation. Objective number two.

The third objective was to pass on the inevitable losses within the banking system on to the taxpayer in the name of protecting the people. Those were three of the major objectives at the time the Federal Reserve System was created. I say those are the true objectives of the Fed. On that basis, let's give it a report card.

Did it keep control in New York in the hands of the larger banks? The answer is a resounding yes. Anyone who knows about the financial markets knows that this is definitely what's happened. Yes we have big banks in the west and in the south but they're nothing compared to those banks in New York which are astride the world with offices in Peking and Moscow and Africa and everywhere; these are the giants and they have remained that way from the very beginning because of the Federal Reserve System.

A few years ago there was a book that was published by Simon & Schuster and it was called "Secrets of the Temple" written by William Grider(?). It was a best-seller and it was advertised as a scathing attack against the Federal Reserve System. When I heard that I couldn't believe my ears. A scathing attack against the Federal Reserve System published by Simon & Schuster? one of the big publishing houses? I thought, I don't have to finish my own book, they've done it. So I ran down and got a copy of the book and devoured it and read it in one day and I was totally amazed on two points. First of all, much to my surprise, I did not expect this, Grider's history was, I thought, excellent. I thought it would be a whitewash but his history was right-on. He had all the gory details and I couldn't believe it but I knew these things were true because I was right then in the middle of researching them.

On the subject of the concentration of power in New York, I'd like to read to you an excerpt from Grider's book. He said: "At the time [he's talking about 1913] the conventional wisdom in Congress was that the government institution would finally harness the money trust, disarm its powers and establish broad democratic control over money and credit. The results were nearly the opposite. The money reforms enacted in 1913 in fact helped to preserve the status quo, to stabilize the old order. Money center bankers would not only gain dominance over the new central bank but would also enjoy new insulation against instability and their own decline. Once the Fed was in operation the steady diffusion of financial power halted. Wall Street maintained its dominant position and even enhanced it."

The other thing that amazed me was Grider's conclusion. He proved that the Federal Reserve had always acted against the public interest. He proved that it was designed to do that from the very beginning so what do you suppose his conclusion was regarding a solution? that we abolish the Fed? No, nothing that extreme. How about a major overhaul? No, not necessary. What then? Grider said, you see it's all so complicated, we're learning as we go, we've made a lot of mistakes but don't worry folks we're on it now, relax, it's under control, all we need now is wiser men.

That is the kind of powderpuff criticism it takes to be published by Simon & Schuster or any of the other major publishing houses which are firmly interlocked in the investment web on Wall Street. It doesn't make any difference how accurate your history is; it doesn't make any difference how much you point with alarm or how righteous you may sound if you have no realistic solution to the problem then who cares? They like that because it gives the people the impression that something's being done, somebody is really calling attention to the problem. But they have no solution or they're carefully selected so that the ones with the real solutions do not get the media, do not get the major publishing houses.

This is a tactic which we have to better understand especially in these critical days ahead. A tactic of controlled opposition. It makes no difference how accurate you are when you're pointing to the problems in America. If you don't have a solution what difference does it make? If your solution is put wiser men in there or if your solution is vote Republican and don't ask questions about what kind of Republican then you are controlled opposition and this is something we have to be very, very alert to in these critical days ahead.

Back to the topic. The Federal Reserve System gets an A on its report card for maintaining control over the financial markets in New York. What about reversing the trend toward private capital formation. Boy, did they ever. Periodically they get those interest rates down so low and everybody is lured into the banks. Borrow like crazy and then the economy crunches down and they're all stuck with this overhead and they can't make their interest payments.

We've seen businesses go out of existence because they cannot service their debt. You've seen people lose their homes and their cars because they cannot service their debt. There are many giant corporations today that are just hanging in there by the skin of their teeth because of their debt overhead. The fact is that many of these companies now send more money to the banks every quarter in the form of interest payments on their loans than they send to their stockholders as dividends on their stock. Think about that for a minute. The banks which had no part in the operation of the company whatsoever, the banks which made this money out of nothing are making more money from these industries than the people who work for the money, save the money, invested the money and risked the money to own those corporations. This is because they quite successfully reversed the trend toward private capital formation and they did it with a flexible currency. The Federal Reserve System gets an A+ on its report card for objective number two.

Finally, did they pass along their inevitable losses to the taxpayer in the name of protecting the people? This is what I call "Operation Bail-Out." Every time one of the big banks gets into trouble, not the small banks remember, they're the competition, the big banks get into trouble and they are bailed out at taxpayers' expense. Always in the name of protecting the people. If a large corporation is in trouble because it can't make its interest payments to the bank anymore, they go to Congress and say "we can't let this corporation fold; look at the thousands of jobs that would be lost; look how the people would suffer." When a third world country can no longer make its interest payments to a large bank in New York, what happens? The bank goes to Congress and says "you know, you'd better do something about this because if we have to write that loan off of our books we may be bankrupt, we could fold. And look at all of the depositors, good Americans, who have their accounts with us who would lose their deposit. Maybe the FDIC won't be able to cover; we could have a crisis on our hands. If our bank falls maybe the other banks will fall too and we'll have a national recession. Look how the people will suffer." So Congress dutifully steps forward, remember it's a partner in this, and votes the funds to guarantee the loans or in some way to pass the payments on directly or indirectly in some very ingenious methods to the taxpayer. That money is raised primarily through the Federal Reserve System and we pay it through the Mandrake Mechanism.

So the Federal Reserve System has done pretty well on that. In case you have missed a few of the more memorable games, I'd like to review them for you. Penn Central Railroad was bailed out in 1970. That was a good year because Lockheed Corporation was bailed out the same year. Commonwealth Bank of Detroit was bailed in 1972; New York City in 1975; Chrysler in 1978; First Pennsylvania Bank in 1980; Continental Illinois, the largest of the banks so far, in 1982. And look at all of these third world countries which cannot pay their interest payments. They are paying their interest payments and you're doing it for them because the Federal Reserve System creates the money that we send to the International Monetary Fund and the World Bank and then they give it to those countries so that they can pay the interest to the banks. Maybe you've missed that little trail but that's how it works.

The Federal Reserve System gets an A+++ on all of these points and it has surely been a huge success in terms of the people who created it.

Actions have consequences and one of the consequences of this scam is what we call a "national debt." Its rapidly approaching 5 trillion dollars that we know about, it's much higher than that if you include the unfunded debt and all of the things that are off-budget and all of the funny stuff that they do with the accounting in Washington. With all honest accounting you'd find it was much, much higher than that.

But even at 5 trillion dollars it's a staggering figure. I'm told if we had a stack of \$100 bills about 40 inches high we'd be a millionaire. A stack of \$100 bills equaling 5 trillion dollars would rise into space 3,350 miles. That's a lot of money and it all came from us and it's earning perpetual interest.

Another way of measuring that is that we've had a known inflation of 1,000% since the Federal Reserve System was created. Another way of phrasing that is that a dollar in 1913 today buys about nine cents worth of goods. That's how much money has been taken from us, taxed from us, through this hidden process.

I say 1,000% inflation that is known because it's much more than that. Have you ever wondered, as I used to, why don't we have more inflation than we have had? I knew they were creating this money like crazy, why only this inflation? And then I found out. Have you ever heard the expression that we're "exporting our inflation." Every once in a while you find that phrase in the financial section of the newspaper. It used to drive me crazy--how can you export inflation? It's

one of those phrases that people use and I'm not sure most of the people who use the phrases know what they mean. Like the other day I read that the Federal Reserve System bought dollars today to bolster up the dollar. How can you buy dollars? What do you buy it with? They buy it with other currencies, the Federal Reserve holds a lot of different currencies, yens and deutsch marks and that kind of thing so they just swap currencies around.

This expression of exporting inflation--what does that mean? It means 70% of the American currency that has been created by our Federal Reserve System is no longer in America, it's overseas. Other nations use American dollars as their unofficial money supply. Especially those countries which have no realistic money of their own. These countries that undergo inflation rates of 5,000 and 10,000% a year, you can't work with money like that. Women have to take wheelbarrows full of paper money to the grocery store to buy a bottle of milk. You can't carry on any serious economic transaction with money like that and they don't, they use American dollars.

All the banks in those systems have dual types of money. American dollars are the mainstay of economic transactions in most of those countries. That's where a lot of our money went. We have been spared the inflationary impact of all that money because had it stayed here, it would've bid against the existing money here and would have diluted our pot even more and we would've known what the inflation should've been.

What happens when the day comes when for whatever reason these countries can no longer, or no longer wish to, use American dollars? What are they going to do with those dollars? They'll send them back. They'll buy something with them while they can. It'll be a big rush. It'll be our refrigerators, our automobiles, our real estate, our high-rise buildings, our corporate stock, our politicians, whatever's for sale. All of this money will come in and then we'll find out in a very short period of time what the true inflation rate really should have been all of these years.

Incidentally, if you've followed in the newspapers the talk about the new money that they're going to release, they're talking about two-tiered money, one for overseas and one for here. It will probably be a different color. Frankly I think they're recognizing this fact that the money would return and they're going to make it illegal for all of this overseas money to come back by making it a different color so that they won't be able to bring it here or if you do bring it here you won't be able to spend it here, it won't be legal here. Those are some of the consequences of the actions of the Federal Reserve Scam.

I have one last topic that I want to talk to you about and then I'll get to the conclusion. This is an extremely important topic and it has to do with usury. In ancient times usury was defined as interest on a loan, any interest on any loan. In modern times that has been redefined to mean excessive interest on a loan. Moderate interest seems logical to us in recognition of the fact that if we work hard for our money, we save it and surrender its use for a period of time being a sacrifice on our part and then loan it to somebody else for their venture, we're entitled to a reasonable return on that sacrifice. A reasonable interest rate is a concept that very few people have problems with, it seems logical and fair.

But what is this thing called excessive interest? Thomas Edison said, "People who will not turn a shovel-full of dirt on the project nor contribute a pound of materials will collect more money than will the people who will supply all the materials and do all the work." I wondered when I read that if Tom was exaggerating so I got my calculator out. I assumed that there was going to be a \$100,000 house built. I assumed that \$30,000 would have to go for land, architect's fees and permits and that kind of thing. \$70,000 would go for the actual construction of the house, building materials and labor. I assumed that the buyer would go to the bank and put 20% down and then borrow the balance at 10% over 30 years. I punched in the numbers and discovered that the

borrower will pay to the bank in interest \$172,741 compared to \$70,000 paid for the construction of the house. In other words, about 2 1/2 times as much money will be paid to the bank in interest than will be paid to those who provide all the labor and all the materials. And you may say to yourself, yes but that's fair, after all a 30 year loan is a long loan and people work for their money and sacrifice its use and loan it and so forth and deserve to be compensated. No. Not this money. Nobody worked for this money, nobody saved this money. There was no sacrifice of any kind for this money. This money was created out of nothing and I suggest that \$172,741 interest on nothing is excessive!

I think it's time for a new definition of usury as follows: any interest on any loan of fiat money (meaning money made out of nothing). This example of a \$100,000 home, as shocking as it is, producing \$172,741 unearned interest, this is just a grain of sand in the Sahara. You have to multiply that by all the homes in America, by all of these hotels in America, all the high-rise buildings, all the factories, all the airplanes, automobiles, farm equipment, schools, everything, all the physical assets of America. You apply this same ratio and can you see it in your mind? We're talking about a river of unearned wealth that is so wide you can't even think of crossing it, flowing perpetually into the banking cartel. A dead short across the productive element of society. Money being taken from people who are working hard providing the material and the labor. They don't even know that this is being taken from them and it's in this huge river of wealth flowing into the banking cartel. It's a staggering thought.

You are led to the question of where is this river flowing? Where's it going? Get a picture of this that it's all going into a lake somewhere and maybe there's a dam and the wealth is building up and somewhere they're getting it all. Getting it no, they're spending it. They're not accumulating it at all. What are they spending it for? The answer may surprise you. They're not buying more yachts and mansions with this money, they've already got all of those they possibly want. In fact they got rid of the mansions on Jekyll Island a long time ago because they were bored with that. That's not it. When a person has all the wealth that you could possibly want for the material pleasures of life, what is left? Power. They are using this river of wealth to acquire power over you and me and our children.

They are spending it to acquire control over the power centers of society. The power centers are those groups and institutions through which individuals live and act and rely on for their information. They are literally buying up the world but not the real estate and the hardware, they're buying control over the organizations, the groups and institutions that control people. In other words, to be specific, they are buying control over politicians, political parties, television networks, cable networks, newspapers, magazines, publishing houses, wire services, motion picture studios, universities, labor unions, church organizations, trade associations, tax-exempt foundations, multi-national corporations, boy scouts, girl scouts, you name it. Make your own list of organizations and you will find that this is where those people have been for many decades spending this river of wealth to acquire operational control particularly over those institutions and individuals, those organizations that represent opposition to themselves. That's a critical area for expenditure on their part.

This process has gone on not only to a marked degree in America and in the other industrialized nations of the world, but it has gone on in the so-called third world or underdeveloped nations to such a degree that I would say the process is now complete. They own these countries already. Have you ever wondered what's going on there at the International Monetary Fund and the World Bank? Kind of an obscure operation isn't it? you don't read much about it except once in a while on the back page of the newspaper you find out that Congress at the insistence of the President authorized another \$100 billion for the International Monetary Fund. And then the article tells you that this money will be used to make loans to underdeveloped nations or grants to them to raise

their standard of living. Do you believe that? That's one of those appearances of the fourth kind if you ever saw one. If the money is to be used to raise the standard of living of these countries they're not doing a very good job of it because after all of these decades, after all of these hundreds of billions of dollars, you cannot point to one country that has had its standard of living raised one iota by that. In fact in most cases it's the other way around and that's not an accident because the money has not been used to raise the standard of living. The money does not go to the people in those countries. It goes to the politicians of those countries, to their governments and the money is designed and spent to strengthen their power structures, their ability to control their populations. They usually start off as inefficient dictatorships but by the time they get all this money from the IMF, they are now efficient dictatorships. They have a well-equipped army, a better bureaucracy, total control of their subjects. That's where the money's being spent.

These countries have been purchased because the politicians in those countries are now totally addicted to this money. We talk about welfare families in America that are third and fourth generation welfare, they're on the dole forever, they cannot dream of anything else. The politicians in these countries are the same way and it's now second, third and in some cases fourth generation international welfare from the United Nations funding. They have no ideology-- communism, socialism, capitalism, fascism, what difference does it make? Where's the money? As long as they live well, they have their mansions, their yachts, their limousines, they go to New York to the UN and have their suites at the Waldorf-Astoria and that's all they care about.

These countries have been purchased through this means and are now owned by this group at the UN and they're firmly in place in the new world order where they're just waiting for you and me to show up. That's the other side of this coin. Not only does this transfer of wealth from America to these countries not raise their standard of living but it does lower ours. That too, believe it or not, is part of the plan. Just waste, get rid of money, get rid of productive power to reduce our standard of living. A strong nation is not a candidate to surrender its sovereignty but a weak nation is. If America can be brought to her knees where she is struggling for survival, if people are hungry, if we have riots in our streets, then Americans could possibly be grateful for any assistance we could get from the UN. Those wonderful blue-helmeted peace-keeping forces could bring order back to our streets or international money, a new world money with purchasing power again might be welcomed by the unthinking, unknowing American public. That is what we're dealing with.

What I'm trying to say is that the name of the game out there is not wealth, it is power.

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