Century of Enslavement: The History of The Federal Reserve

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http://www.youtube.com/watch?v=5IJeemTQ7Vk

http://www.corbettreport.com/federalreserve

What is the Federal Reserve system? How did it come into existence? Is it part of the federal government? How does it create money? Why is the public kept in the dark about these important matters? In this feature-length documentary film, The Corbett Report explores these important question and pulls back the curtain on America's central bank.

TRANSCRIPT:

Part One: The Origins of the Fed

"*The real truth of the matter is, as you and I know, that a financial element in the larger centers has owned the Government ever since the days of Andrew Jackson.*" – FDR letter to Colonel Edward House, Nov. 21, 1933

All our lives we've been told that economics is boring. It's dull. It's not worth the time it takes to understand it. And all our lives, we've been lied to.

War. Poverty. Revolution. They all hinge on economics. And economics all rests on one key concept: money.

Money. It is the economic water in which we live our lives. We even call it "currency"; it flows around us, carries us in its wake. Drowns those who are not careful.

We use it every day in nearly every transaction we conduct. We spend our lives working for it, worrying about it, saving it, spending it, pinching it. It defines our social status. It compromises our morals. People are willing to fight, die, and kill for it.

But what is it? Where does it come from? How is it created? Who controls it? It is a remarkable fact that, given its central importance in our lives, not one person in a hundred could answer such basic questions about money as these.

> ***Interviewer:*** *So if you were planning a family, you'd want to know where babies come from. And this is a lot about banking. So let me ask you: Where does money come from?*
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> ***Interviewee 1:*** *Where does the money come from? The government prints it. It's printed off.*
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> ***Interviewer:*** *How is new money created?*
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> ***Interviewee 2:*** *By labor. People work and produce wealth, and the money is supposed to match that wealth.*
>
> ***Interviewee:*** *Where does money come from?*
>
> ***Interviewee 3:*** *Well, I have a pretty different outlook on money. It actually comes from, like, trees, right?*
>
> ***SOURCE****: Occupy Vancouver answers "Where does money come from?"*

But why is this? How could we be so ignorant about a topic of such importance? "Where does money come from?" is a basic, childlike question. So why is our only response the childlike answer, meant as a joke: “It grows on trees”?

Such a profound state of ignorance could not come about naturally. From the time we are children, we are curious about the world and eager to learn about the way it works. And what could lead to a better understanding of the way the world works than a knowledge of money, its creation and destruction? Yet discussion of this topic is fastidiously avoided in our school years and ignored in our daily life. Our monetary ignorance is artificial, a smokescreen that has been erected on purpose and perpetrated with the help of complicated systems and insufferable economic jargon.

But it doesn’t take an economist to understand the importance of money. Deep down we all know that the wars, the poverty, the violence we see around us hinges on this question of money. It seems like a thousand-piece jigsaw puzzle just waiting to be solved. And it is.

The puzzle pieces, taken together, create an image of the Federal Reserve, America’s central bank and the heart of the country’s banking system. Despite its central importance to the economy, relatively few have heard of it, and fewer still know what it is, despite the bank’s attempts at self-description:

> *Our economy runs on a complex system of exchange of goods and services in which money plays a key part. Coin, currency, savings, and checking accounts; the overall supply of money is managed by the Federal Reserve. Money is the medium through which economic exchanges take place, and money as a standard of value helps us to set prices for goods and services. The job of managing money—monetary policy—is to preserve the purchasing power of the dollar while ensuring that a sufficient amount of money is available to promote economic growth.*
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> *The Federal Reserve also promotes the safety and soundness of*

> *the institutions where we do our banking. It ensures that the mechanisms by which we make payments, whether by cash, cheque, or electronic means, operate smoothly and efficiently.*
>
> *And in its fiscal role acts as the banker for the United States government.*
>
> *Now these duties comprise the major responsibilities of our central bank.*
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> ***SOURCE**: [The Fed: Our Nation's Central Bank]*

But in order to understand the Federal Reserve, we must first understand its origins and context. We must deconstruct the puzzle.

The first piece of that puzzle lies here, in the White House. This is where the Federal Reserve Act, then known as the Currency Bill, was signed into law after passing the House and Senate in late December 1913.

The New York Times of Christmas Eve 1913, described the festive scene:

"The Christmas spirit pervaded the gathering. While the ceremony was a little less impressive than that of the signing of the Tarriff act on Oct. 3 last in the same room, the spectators were much more enthusiastic and seized every occasion to applaud."

There in the White House that fateful December evening, President Wilson signed away the last veneer of control over the American money supply to a cartel—a well-organized gang of crooks so successful, so cunning, so well-hidden that even now, a century later, few know of its existence, let alone the details of its operations. But those details have been openly admitted for decades.

Of course, just as we have been taught to find economics boring, we have been taught that this story is boring. This is the way the Federal Reserve itself tells it:

> *The United States was facing severe financial problems. At the turn of the century, most banks were issuing their own currency, called "bank notes." The trouble was, currency that was good in one state was sometimes worthless in another. People began to lose confidence in their money, since it was only as sound as the bank that issued it. Fearful that their bank might go out of business, they rushed to exchange their bank notes for gold or silver. By attempting to do so, they created the Panic of 1907.*
>
> ***SOURCE**: Where The Bankers Bank*
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> *During the panic, people streamed to the banks and demanded their deposits. The banks could not meet the demand; they simply did not have enough gold and silver coin available. Many banks went under. People lost millions of dollars, businesses suffered, unemployment rose, and the stability of our economic system was again threatened.*
>
> *Well, this couldn't go on. If the country was going to grow and prosper, some means would have to be found to achieve financial and economic stability.*
>
> *To prevent financial panics like the one in 1907, President Woodrow Wilson signed The Federal Reserve Act into law in 1913.*
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> ***SOURCE**: Too Much, Too Little*

But this is history as told by the victors: a revisionist vision in which the creation of a central bank to control the nation's money supply is merely a boring historical footnote, about as important as the invention of the zipper or an early 20th century hula-hoop craze. The truth is that the story of the secret banking conclave that gave birth to that Federal Reserve Act is as exciting and dramatic as any Hollywood screenplay or detective novel yarn, and all the more remarkable for the fact that it is all true.

We pick up the story, appropriately enough, under cover of darkness. It was the night of November 22, 1910, and a group of the richest and most powerful men in America were boarding a private rail car at an unassuming railroad station in Hoboken, New Jersey. The car, waiting with shades drawn to keep onlookers from seeing inside, belonged to Senator Nelson Aldrich, the father-in-law of billionaire heir to the Rockefeller dynasty, John D. Rockefeller, Jr. A central figure on the influential Senate Finance Committee, where he oversaw the nation's monetary policy, Aldrich was referred to in the press as the "General Manager of the Nation." Joining him that evening was his private secretary, Shelton, and a who's who of the nation's banking and financial elite: A. Piatt Andrew, the Assistant Treasury Secretary; Frank Vanderlip, President of the National City Bank of New York; Henry P. Davison, a senior partner of J.P. Morgan Company; Benjamin Strong, Jr., an associate of J.P. Morgan and President of Bankers Trust Co., and Paul Warburg, heir of the Warburg banking family and son-in-law of Solomon Loeb of the famed New York investment firm, Kuhn, Loeb & Company.

The men had been told to arrive one by one after sunset to attract as little attention as possible. Indeed, secrecy was so important to their mission that the group did not use anything but their first names throughout the journey so as to keep their true identities secret even from their own servants and wait staff. The movements of any one of them would have been reason enough to attract the attention of New York's voracious press, especially in an era where banking and monetary reform was seen as a key issue for the future of the nation; a meeting of all of them, now *that* would surely have been the story of the century. And it was.

Their destination? The secluded Jekyll Island off the coast of Georgia, home to the prestigious Jekyll Island Club, whose members included the Morgans, Rockefellers, Warburgs, and Rothschilds. Their purpose? Davison told intrepid local newspaper reporters who had caught wind of the meeting that they were going duck hunting. But in reality, they were going to draft a reform of the nation's banking industry in complete secrecy.

G. Edward Griffin, the author of the best-selling [The Creature from Jekyll Island] and a long-time Federal Reserve researcher, explains:

> ***G. Edward Griffin****: What happened is the banks decided that since there was going to be legislation anyway to control their industry, that they wouldn't just sit back and wait and see what happened and cross their fingers that it would be OK. They decided to do what so many cartels do today: they decided to take the lead. And they would be the ones calling for regulations and reform.*
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> *They like the word "reform." The American people are suckers for the word "reform." You just put that into any corrupt piece of legislation, call it "reform" and people say "Oh, I'm all for 'reform,'" and so they vote for it or accept it.*
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> *So that's what they were doing. They decided, "We will 'reform' our own industry." In other words, "We will create a cartel and we will give the cartel the power of government. We'll take our cartel agreement so we can self-regulate to our advantage and we'll call it 'The Federal Reserve Act.' And then we'll take this cartel agreement to Washington and convince those idiots there to pass it into law."*
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> *And that basically was the strategy. It was a brilliant strategy. Of course we see it happening all the time, certainly in our own day today we see the same thing happened in other cartelized industries. Right now we're watching it*

> *unfold in the field of healthcare, but at that time it was banking, alright?*
>
> *And so the banking cartel wrote their own rules and regulations, called it "The Federal Reserve Act," got it passed into law, and it was very much to their liking because they wrote it. And in essence what they had created was a set of rules that made it possible for themselves to regulate their industry, but they went even beyond that. In fact, it's clear to me when I was reading their letters and their conversation at the time, and the debates, that they never dreamed that Congress would go along and also give them the right to issue the nation's money supply. Not only were they now going to regulate their own industry, which is what they started out as wanting to do, but they got this incredible gift that they didn't dream would be given to them (although they were negotiating for it), and that was that Congress gave them the authority to issue the nation's money. Congress gave away the sovereign right to issue the nation's money to the private banks.*
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> *And so all of this was in The Federal Reserve Act, and the American people were joyous because they were told, and they were convinced, that this was finally a means of controlling this big creature from Jekyll Island.*
>
> ***SOURCE**: Interview with G. Edward Griffin*

Amazingly enough, they were successful, not just in conspiring to write the legislation that would eventually become the Federal Reserve Act, but in keeping that conspiracy a secret from the public for decades. It was first reported on in 1916 by Bertie Charles Forbes, the financial writer who would later go on to found *Forbes* magazine, but it was never fully admitted until a full quarter-century later, when Frank Vanderlip wrote a casual admission of the meeting in the February 9, 1935, edition of *The Saturday Evening Post*:

"I was as secretive—indeed, as furtive—as any conspirator.[…]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."

Over the course of their nine days of deliberation at the Jekyll Island Club, they devised a plan so overarching, so ambitious, that even they could scarcely imagine that it would ever be passed by Congress. As Vanderlip put it, "Discovery [of our plan], we knew, simply must not happen, or else all our time and effort would be wasted. If it were to be exposed publicly that our particular group had got together and written a banking bill, that bill would have no chance whatever of passage by Congress."

So what, precisely, did this conclave of conspirators devise at their Jekyll Island meeting? A plan for a central banking system to be owned by the banks themselves, a system which would organize the nation's banks into a private cartel that would have sole control over the money supply itself. At the end of their nine-day meeting, the bankers and financiers went back to their respective offices content in what they had accomplished. The details of the plan changed between its 1910 drafting and the eventual passage of the Federal Reserve Act, but the essential ideas were there.

But ultimately, this scene on Jekyll Island, too, is just one piece of a larger puzzle. And like any other puzzle piece, it has to be seen in its wider context for the bigger picture to become visible. To understand the other pieces of the puzzle and their importance in the creation of the Federal Reserve, we have to travel backward in time.

The story begins in late 17th century Europe. The Nine Years' War is raging across the continent as Louis XIV of France finds himself pitted against much of the rest of the continent over his territorial and dynastic claims. King William III of

England, devastated by a stunning naval defeat, commits his court to rebuilding the English navy. There's only one problem: money. The government's coffers have been exhausted by the waging of the war and William's credit is drying up.

A Scottish banker, William Paterson, has a banker's solution: a proposal "to form a company to lend a million pounds to the Government at six percent (plus 5,000 'management fee') with the right of note issue." By 1694, the idea has been slightly revised (a 1.2 million pound loan at 8 percent plus 4,000 for management expenses), but it goes ahead: The magnanimously titled Bank of England is created.

The name is a carefully constructed lie, designed to make the bank appear to be a government entity. But it is not. It is a private bank owned by private shareholders for their private profit with a charter from the king that allows them to print the public's money out of thin air and lend it to the crown. What happens here at the birth of the Bank of England in 1694 is the creation of a template that will be repeated in country after country around the world: a privately controlled central bank lending money to the government at interest, money that it prints out of nothing. And the jewel in the crown for the international bankers that creates this system is the future economic powerhouse of the world, the United States.

In many important respects, the history of the United States is the history of the struggle of the American people against the bankers that wish to control their money. By the 1780s, with colonies still fighting for independence from the crown, the bankers will get their wish.

In 1781 the United States is in financial turmoil. The Continental, the paper currency issued by the Continental Congress to pay for the war, has collapsed from overissue and British counterfeiting. Desperate to find a way to finance the end stages of the war, Congress turns to Robert Morris, a wealthy shipping merchant who was investigated for war profiteering just two years earlier. Now, as "Superintendent of Finance" of the United States from 1781 to 1784, he is regarded as the most powerful man in America next to General Washington.

In his capacity as Superintendent of Finance, Morris argues for the creation of a privately-owned central bank deliberately modeled on the Bank of England that the colonies were supposedly fighting against. Congress, backed into a corner by war obligations and forced to do business with the bankers just like King William in the 1690s, acquiesces and charters the Bank of North America as the nation's first central bank. And exactly as the Bank of England came into existence loaning the British crown 1.2 million pounds, the B.N.A. started business by loaning 1.2 million dollars to Congress.

By the end of the war, Morris has fallen out of political favor and the Bank of North America's currency has failed to win over a skeptical public. The B.N.A. is downgraded from a national central bank to a private commercial bank chartered by the State of Pennsylvania.

But the bankers have not given up yet. Before the ink is even dry on the Constitution, a group led by Alexander Hamilton is already working on the next privately-owned central bank for the newly formed United States of America.

So brazen is Hamilton in the forwarding of this agenda that he makes no attempt to hide his aims or those of the banking interests he serves:

"A national debt, if it is not excessive, will be to us a national blessing," he wrote in a letter to James Duane in 1781. "It will be a powerful cement of our Union. It will also create a necessity for keeping up taxation to a degree which, without being oppressive, will be a spur to industry."

Opposition to Hamilton and his debt-based system for establishing the finances of the US is fierce. Led by Jefferson and Madison, the bankers and their system of debt-enslavement is called out for the force of destruction that it is. As Thomas Jefferson wrote:

“[T]he spirit of war and indictment, […] since the modern theory of the perpetuation of debt, has drenched the earth with blood, and crushed its inhabitants under burdens ever accumulating.”

Still, Hamilton proves victorious. The First Bank of the United States is chartered in 1791 and follows the pattern of the Bank of England and the Bank of North America almost exactly; a privately-owned central bank with the authority to loan money that it creates out of nothing to the government. In fact, it is the very same people behind the new bank as were behind the old Bank of North America. It was Alexander Hamilton, Robert Morris’ former aide, who first proposed Morris for the position of Financial Superintendent, and the director of the old Bank of North America, Thomas Willing, is brought in to serve as the first director of the First Bank of the United States. Meet the new banking bosses, same as the old banking bosses.

In the first five years of the bank’s existence, the US government borrows 8.2 million dollars from the bank and prices rise 72%. By 1795, when Hamilton leaves office, the incoming Treasury Secretary announces that the government needs even more money and sells off the government’s meager 20% share in the bank, making it a fully private corporation. Once again, the US economy is plundered while the private banking cartel laughs all the way to the bank that they created.

By the time the bank’s charter comes due for renewal in 1811, the tide has changed for the money interests behind the bank. Hamilton is dead, shot to death in a duel with Aaron Burr. The bank-supporting Federalist Party is out of power. The public are wary of foreign ownership of the central bank, and what's more don't see the point of a central bank in time of peace. Accordingly, the charter renewal is voted down in the Senate and the bank is closed in 1811.

Less than a year later, the US is once again at war with England. After two years of bitter struggle, the public debt of the US has nearly tripled, from $45.2 million to $119.2 million. With trade at a standstill, prices soaring, inflation rising and debt mounting, President Madison signs the charter for the creation of another central bank, the Second Bank of the United States, in 1816. Just like the two central banks before it, it is majority privately-owned and is granted the power to loan money that it creates out of thin air to the government.

The 20-year bank charter is due to expire in 1836, but President Jackson has already vowed to let it die prior to renewal. Believing that Jackson won't risk his chance for reelection in 1832 on the issue, the bankers forward a bill to renew the bank's charter in July of that year, four years ahead of schedule. Remarkably, Jackson vetoes the renewal charter and stakes his reelection on the people's support of his move. In his veto message, Jackson writes in no uncertain terms about his opposition to the bank:

"Whatever interest or influence, whether public or private, has given birth to this act, it can not be found either in the wishes or necessities of the executive department, by which present action is deemed premature, and the powers conferred upon its agent not only unnecessary, but dangerous to the Government and country. It is to be regretted that the rich and powerful too often bend the acts of government to their selfish purposes.[…]If we can not at once, in justice to interests vested under improvident legislation, make our Government what it ought to be, we can at least take a stand against all new grants of monopolies and exclusive privileges, against any prostitution of our Government to the advancement of the few at the expense of the many, and in favor of compromise and gradual reform in our code of laws and system of political economy."

The people side with Jackson and he's reelected on the back of his slogan, "Jackson and No Bank!" The President makes good on his pledge. In 1833 he announces that the government will stop using the bank and will pay off its debt. The bankers retaliate in 1834 by staging a financial crisis and attempting to pin the blame on Jackson, but it's no use. On January 8, 1835, President Jackson succeeds in paying off the debt, and for the first and only time in its history the United States is free from the debt chain of the bankers. In 1836 the Second Bank of the United States' charter expires and the bank loses its status as America's central bank.

It is 77 years before the bankers can regain the jewel in their crown. But it is not for lack of trying. Immediately upon the death of the bank, the banking oligarchs in England react by contracting trade, removing capital from the US, demanding payment in hard currency for all exports, and tightening credit. This results in a financial crisis known as the Panic of 1837, and once again Jackson's campaign to kill the bank is blamed for the crisis.

Throughout the late 19th century the United States is rocked by banking panics brought about by wild banking speculation and sharp contractions in credit. By the dawn of the 20th century, the bulk of the money in the American economy has been centralized in the hands of a small clique of industrial magnates, each with a near-monopoly on a sector of the economy. There are the Astors in real estate; the Carnegies and the Schwabs in steel; the Harrimans, Stanfords and Vanderbilts in railroads; the Mellons and the Rockefellers in oil. As all of these families start to consolidate their fortunes, they gravitate naturally to the banking sector. And in this capacity, they form a network of financial interests and institutions that centered largely around one man, banking scion and increasingly America's informal central banker in the absence of a central bank, John Pierpont Morgan.

John Pierpont Morgan, or "Pierpont," as he prefers to be called, is born in Hartford, Connecticut, in 1837 to Junius Spencer Morgan, a successful banker and financier. Morgan rides his father's coattails into the banking business and by 1871 is partnered in his own firm, the firm that was eventually to become J.P. Morgan and Company.

It is Morgan who finances Cornelius Vanderbilt's New York Central Railroad. It is Morgan who finances the launch of nearly every major corporation of the period, from AT&T to General Electric to General Motors to DuPont. It is Morgan who buys out Carnegie and creates the United States Steel Corporation, America's first billion-dollar company. It is Morgan who brokers a deal with President Grover Cleveland to "save" the nation's gold reserves by selling 62 million dollars worth of gold to the Treasury in return for government bonds. And it is Morgan who, in 1907, sets in motion the crisis that leads to the creation of the Federal Reserve.

That year, Morgan begins spreading rumors about the precarious finances of the Knickerbocker Trust Company, a Morgan competitor and one of the largest financial institutions in the United States at the time. The resulting crisis, dubbed the Panic of 1907, shakes the US financial system to its core. Morgan puts himself forward as a hero, boldly offering to help underwrite some of the faltering banks and brokerage houses to keep them from going under. After a bout of hand-wringing over the nation's finances, a Congressional Committee is assembled to investigate the "money trust," the bankers and financiers who brought the nation so close to financial ruin and who wield such power over the nation's finances. The public follows the issue closely, and in the end a handful of bankers are identified as key players in the money trust's operations, including Paul Warburg, Benjamin Strong, Jr., and J.P. Morgan.

Andrew Gavin Marshall, editor of The People's Book Project, explains:

> ***Andrew Gavin Marshall****: At the beginning of the 20th century there was an investigation following the greatest of these financial panics, which was in 1907, and this investigation was on "the money trust." It found that three banking interests—J.P. Morgan, National City Bank, and the City Bank of New York—basically controlled the entire financial system. Three banks. The public hatred toward these institutions was unprecedented. There was an overwhelming consensus in the country for establishing a central bank, but there were many different interests in pushing this and everyone had their own purpose behind advocating for a central bank.*
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> *So to represent most people, you had farmer interests, populists, progressives, who were advocating a central bank because they couldn't take the recurring panics, but they wanted government control of the central bank. They wanted it to be exclusively under the public control because they despised and feared the New York banks as wielding too much influence, so for them a central bank would be a way to curb the power of these private financial interests.*
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> *On the other hand, those same financial interests were advocating for a central bank to serve as a source of stability for their control of the system, and also to act as a lender of last resort to them so they would never have to face collapse. But also, in order to exert more control through a central bank, the private New York banking community wanted a central bank under the exclusive control of them. There's a shocker.*
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> *So you had all these various interests which converged. Of course, the most influential happened to be the New York financial houses which were more aligned with the European financial houses than they were with any other element in American society. The main individual behind the founding of*

the Federal Reserve was Paul Warburg, who was a partner with Kuhn, Loeb and Company, a European banking house. His brothers were prominent bankers in Germany at that time, and he had of course close connections with every major financial and industrial firm in the United States and most of those existing in Europe. And he was discussing all of these ideas with his fellow compatriots in advocating for a central bank. In 1910, Warburg got the support of a Senator named Nelson Aldrich, whose family later married into the Rockefeller family (again, I'm sure just a coincidence). Aldrich invited Warburg and a number of other bankers to a private, secret meeting on Jekyll Island just off the coast of Georgia where they met in 1910 to discuss the construction of a central bank in the United States, but one which would of course be owned by and serve the interests of the private bank. Aldrich then presented this in 1911 as the "Aldrich Plan" in the U.S. Congress, but it was actually voted out.

The public, suspicious of Senator Aldrich's banking connections, ultimately reject the Jekyll Island cabal's "Aldrich Plan." The cabal does not give up, however. They simply revise and rename their plan, giving it a new public face, that of Representative Carter Glass and Senator Robert Owen.

In the end, the money trust that was behind the Panic of 1907 uses the public's own outrage against them to complete their consolidation of control over the banking system. The newly retitled Federal Reserve Act is signed into law on December 23, 1913, and the Fed begins operations the next year.

Part Two: How the Scam Works

"*The study of money, above all other fields in economics, is one in which complexity is used to disguise truth or to evade truth, not to reveal it.*" – John Kenneth Galbraith

So how does the Federal Reserve system work? What does it do?

Who owns and controls it? These are the basic questions that would get to the heart of the fundamental question: “What is money?” And that is why the answers to these questions have been shrouded in impenetrable economic jargon.

Even the Federal Reserve’s own educational propaganda, which has an unusual tendency toward cutesy animation and talking down to its audience, has a difficult time summarizing the Fed’s mission and responsibilities. According to the Fed:

> *To achieve [its] goals, the Fed, then and now, combines centralized national authority through the Board of Governors with a healthy dose of regional independence through the reserve banks. A third entity, the Federal Open Market Committee, brings together the first two in setting the nation’s monetary policy.*
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> ***SOURCE**: In Plain English*

Precisely what imaginary gaggle of schoolchildren is this economic gibberish aimed at?

The simple truth, hidden behind the sleight of hand of economic jargon and magisterial titles, is that a banking cartel has monopolized the most important item in our entire economy: money itself.

We are taught to think of money as the pieces of paper printed in government printing presses or coins minted by government mints. While this is partially true, in this day and age the actual notes and coins circulating in the economy represent only a tiny fraction of the money in existence. Over 90% of the money supply is in fact created by private banks as loans that are payable back to the banks at interest.

Although this simple fact is obscured by the wizards of Wall Street and gods of money who want to make the money creation process into some special art of alchemy carefully overseen by the government, the truth is not hidden from the public.

In December 1977, the Federal Reserve Bank of New York published another of its dumbed-down, cartoon-ridden information pamphlets for the general public, attempting to explain the functions of the Federal Reserve System. There in black and white they carefully explain the money creation process:

“Commercial banks create checkbook money whenever they grant a loan, simply by adding new deposit dollars to accounts on their books in exchange for a borrower’s IOU.[…]Banks create money by ‘monetizing’ the private debts of businesses and individuals. That is, they create amounts of money against the value of those IOUs.”

There it is, in plain English: The vast majority of money in the economy, the “checkbook” money in our accounts at the bank and that we use in our electronic transfers and digital payments, is created not by a government printing press, but by the bank itself. It is created out of thin air as debt, owed back to the bank that created it at interest. This means that bank loans are not money taken from other bank depositors, but new money simply conjured into existence and placed into your account. And the bank is able to create much more money than it has cash to back up those deposits.

The Fed claims to be the entity overseeing and backing up the banking industry. It was established, according to its own propaganda, to stabilize the system and prevent bank runs like the Panic of 1907 from happening again:

> *Throughout much of the 1800s, almost any organization that wanted could print its own money. As a result, many states, banks, and even one New York druggist, did just that. In fact at one time there were over 30,000 different varieties of currency in circulation. Imagine the confusion.*
>
> *Not only were there multitudes of currencies, some were*

redeemable in gold and silver, others were backed by bonds issued by regional governments. It was not unusual for people to lose faith both in the value of their currency and in the entire financial system. With many people trying to withdraw their deposits at once, sometimes the banks didn't have enough money on hand to pay their depositors. Then when the funds ran out the banks suspended payment temporarily and some even closed. People lost their entire savings. Sometimes regional economies suffered.

Obviously something had to be done. And in 1913, something was. In that year, President Woodrow Wilson signed into effect the Federal Reserve Act. This act created the Federal Reserve system to provide a safer and more stable monetary and banking system.

SOURCE: *[The Fed Today]*

If that was indeed its aim, it signally failed to do so in running up one of the greatest bubbles in American history to that point in the 1920s, just a decade after its creation. The popping of that bubble, of course, led directly into the Great Depression and one of the greatest periods of mass poverty in American history. Economists have long argued that the Fed itself was the cause of the depression by its complete mismanagement of the money supply. As former Federal Reserve Chairman Ben Bernanke admitted in a speech commemorating Fed critic Milton Friedman's 90th birthday: "Regarding the Great Depression. You're right, we did it. We're very sorry. But thanks to you, we won't do it again."

"Price stability" is another cited tenet of the Federal Reserve's mandate. But here, too, the Fed has completely failed to live up to its own standards:

Aside from the banking system, the Federal Reserve has another responsibility that's probably even more important. It's in charge of something called "monetary policy."

Basically, it means trying to keep prices stable to avoid inflation. Say you buy a CD today for $14. But what if next year the price of the CD jumped to $20 or $50, not because of a change in supply or demand, but because all prices were going up. That's inflation.

There are a lot of different causes of inflation, but one of the most important is too much money. The Fed can adjust the money supply by injecting money into the system electronically, or by withdrawing money from the economy.

Think of it: the Federal Reserve has the ability to create money, or make it disappear. What's most important is what happens as a result. Any time the supply of money is altered, the effects are felt throughout the economy.

The Fed's methods have changed over time to take advantage of the latest computers and electronics, but its mission remains the same: to aim for stable prices, full employment and a growing economy.

SOURCE: *Inside The Fed*

100 years ago, in 1913, the Fed was created, and we've marked it with a vertical line there. Consumer prices now are about 30 times higher than they were when the Fed was created in 1913.

SOURCE: *Bloomberg*

Paper money, too, is the responsibility of the Federal Reserve. Hence the dollars in circulation are not Treasury notes, not bills of credit, but Federal Reserve Notes, debt-based notes backed up ultimately by the government's own promise to pay, its "sovereign bonds" secured by the taxpayers themselves. At one time, the Federal Reserve Banks were legally required to keep large stockpiles of gold in reserve to back up these notes, but that requirement was abandoned and today the notes are backed up mostly by government securities. The Fed no longer keeps any actual gold on its books, but gold "certificates" issued by the treasury and valued not at the spot price of $1,300 per troy ounce, but an arbitrarily fixed "statutory price" of $42 2/9 per ounce.

> ***Ron Paul****: But I do have one question: During the crisis or at any time that you're aware of, has the Federal Reserve or the Treasury participated in any gold swap arrangements?*
>
> ***Scott Alvarez****: The Federal Reserve does not own any gold at all. We have not owned gold since 1934 so we have not engaged in any gold swaps.*
>
> ***Ron Paul****: But it appears on your balance sheet that you hold gold.*
>
> ***Scott Alvarez****: What appears on our balance sheet is gold certificates. When we turned in…before 1934, we did…the Federal Reserve did own gold. We turned that over by law to the Treasury and received in return for that gold certificates.*
>
> ***Ron Paul****: If the Treasury entered into…because under the Exchange Stabilization Fund I would assume they probably have the legal authority to do it…they wouldn't be able to do it then because you have the securities for essentially all the gold?*
>
> ***Scott Alvarez****: No, we have no interest in the gold that is owned by the Treasury. We have simply an accounting document that is called "gold certificates" that represents the value at a statutory rate that we gave to the Treasury in 1934.*
>
> ***Ron Paul****: And still measured at $42 an ounce which makes no sense whatsoever.*
>
> *SOURCE: House Financial Services Subcommittee Hearings*

Clearly, there is a discrepancy between what we are led to believe is motivating the Fed and what it actually does. To understand what the Fed is actually intended to do, it's first important to understand that the Federal Reserve is not a bank, per se, but a system. This system codifies, institutionalizes, oversees, and undergirds a form of banking called fractional reserve banking, in which banks are allowed to lend out more money than they actually have in their vaults.

> ***G. Edward Griffin***: *The process of decay and corruption starts with something called "fractional reserve banking." That's the technical name for it. And what that really means is that as the banking institution developed over several centuries, starting of course in Europe, it developed a practice of legalizing a certain dishonest accounting procedure.*
>
> *In other words, in the very, very beginning (if you want to go all the way back), people would bring their gold or silver to the banks for safekeeping. And they said, "Give us a paper receipt, we don't want to guard our silver and our gold, because people could come in in the middle of the night and they could kill us or threaten us and they'll get our gold and silver, so we can 't really guard it, so we'll take it to the bank and have them guard it and we just want a paper receipt. And we'll take our receipt back and get our gold anytime we want." So in the beginning money was receipt money. Then, instead of changing or exchanging the gold coins, they could exchange the receipts, and people would accept the receipts just as well as the gold, knowing that they could get gold. And so these paper receipts being circulated were in essence the very first examples of paper money.*
>
> *Well, the banks learned early on in that game that here they were sitting on this pile of gold and all these paper receipts out there. People weren't bringing in the receipts anymore, very few of them, maybe five percent, maybe seven*

percent of the people would bring in their paper receipts and ask for the gold. So they said, "Ah ha! Why don't we just sort of give more receipts out then we have gold? They'll never know because they only ask for, at the best, seven percent of it. So we can create more receipts for gold then we have. And we can collect interest on that because we'll loan that into the economy. We'll charge interest on this money that we don't really have. And it's a pretty good gimmick, don't ya think?" And they go, "Well, yeah, of course." And so that's how fractional reserve banking started.

And now it's institutionalized and they teach it in school. No one ever questions the integrity of it or the ethics of it. They say, "Well, that's the way banking works, and isn't it wonderful that we now have this flexible currency and we have prosperity" and all these sorts of things. So it all starts with this concept of fractional reserve banking.

The trouble with that is that it works most of the time. But every once and a while there are a few ripples that come along that are a little bit bigger than the other ripples. Maybe one of them is a wave. And more than seven percent will come in and ask for their gold. Maybe twenty percent or thirty percent. And well, now the banks are embarrassed because the fraud is exposed. They say, "Well, we don't have your gold" "What do you mean you don't have my gold!! I gave it to you and put it on deposit and you said you'd safeguard it." "Well, we don't have it, we loaned it out." So then the word gets out and everyone and their uncle comes out and lines up for their gold. And of course they don't have it, the banks are closed, and they have bank holidays. Banks are embarrassed, people lose their savings. You have these terrible banking crashes that were ricocheting all over the world prior to this time. And that is what caused the concern of the American people. They didn't want that anymore. They wanted to put a stop to that.

And that was the whole purpose, supposedly, of the Federal Reserve System. Was to put a stop to that. But since the people who designed the plan to put a stop to it were the very ones who were doing it in the first place, you cannot be surprised that their solution was not a very good one so far as the American people were concerned. Their solution was to expand it. Not to control it, to expand it. See, prior to that time, this little game of fractional reserve banking was localized at the state level. Each state was doing its own little fractional reserve banking system. Each state, in essence, had its own Federal Reserve. Central banks were authorized by state law to do this sort of thing. And that was causing all this problem. So the Federal Reserve came along and said, "No no, we're not going to do this at the state level anymore, because look at all the problem it's causing. We're going to consolidate it all together and we're going to do it at the national level."

***SOURCE**: [Interview with G. Edward Griffin]*

The key to the system, of course, is who controls this incredible power to "regulate" the economy by setting reserve requirements and targeting interest rates. The answer to this question, too, has been deliberately obscured.

The Federal Reserve System is a deliberately confusing mishmash of public and private interests, reserve banks, boards and committees, centralized in Washington and spread out across the United States.

***Andrew Gavin Marshall**: So you have the Federal Reserve Board in Washington appointed by the President. That's the only part of this system that is directly dependent on the government for input that's the "federal" part: that the government—the [US] President, specifically—gets to choose a few select governors. The twelve regional banks—the most influential of which is the Federal Reserve Bank of New York,* *which is essentially based in Wall Street to represent Wall Street—is a representative of the major Wall Street banks who own shares in the private, not federal, but private Federal Reserve Bank of New York. All of the other regional banks are also private banks. They vary according to how much influence they wield but the Kansas City Fed is influential, the St. Louis Fed, the Dallas Fed, but the New York Fed is really the center of this system and precisely because it represents the Wall Street banks who appoint the leadership of the New York Fed.*

So the New York Fed has a lot of public power, but no public accountability or oversight. It does not answer to Congress the way that the chairman of the Federal Reserve Board of Governors does and even the chairman of the Federal Reserve Board, who is appointed by the President, does not answer to the President, does not answer to Congress. He goes to Congress to testify, but the policy that they set is independent. So they have no input from the government. The government can't tell them what to do, legally speaking, and of course they don't.

> ***Rep. John Duncan**: Do you think it would cause problems for the Fed or for the economy if that legislation was to pass?*
>
> ***Ben Bernanke**: My concern about the legislation is that if the GAO is auditing not only the operational aspects of our programs and the details of the programs, but is making judgments about our policy decisions, that would effectively be a takeover of monetary policy by the Congress, a repudiation of the independence of the Federal Reserve, which would be highly destructive to the stability of the financial system, the dollar, and our national economic situation.*
>
> ***SOURCE:** [Bernanke Threatens Congress]*

The Federal Open Market Committee is responsible for setting *interest rates. Now this committee, which is enormously powerful, has as its membership the Governor and Vice Chair of the Federal Reserve Board, but on the Federal Open Market Committee most of the membership is the presidents of the regional Federal Reserve Banks representing private interests. So they have significant input in setting the interest rates. Interest rates are not set by a public body, they're set by private financial and corporate interests. And that's whose interests they serve, of course.*

The reason that the Federal Reserve goes to such great lengths to make its organizational structure as confusing as possible is to cover up the massive conflicts of interest that are at the heart of that system. The fact is that the Federal Reserve System is comprised of a Board of Governors, 12 regional banks, and an Open Market Committee. The privately-owned member banks of each Federal Reserve Bank vote on the majority of the Reserve Bank's directors, and the directors vote on members to serve on the Federal Open Market Committee, which determines monetary policy. What's more, Wall Street is given a prime seat at the table, with tradition holding that the president of the powerful New York Federal Reserve Bank be given the vice chairmanship of the FOMC and be made a permanent committee member. In effect, the private banks are the key determinants in the composition of the FOMC, which regulates the entire economy.

According to the Fed, "its monetary policy decisions do not have to be approved by the President or anyone else in the executive or legislative branches of government, it does not receive funding appropriated by the Congress, and the terms of the members of the Board of Governors span multiple presidential and congressional terms."

Or, in the words of Alan Greenspan: "The Federal Reserve is an independent agency, and that means there is no other agency of government that can overrule actions that we take."

The Fed goes on in its self-mythologization to state that it is “not a private, profit-making institution.” This characterization is dishonest at best and an outright lie at worst.

The regional banks are themselves private corporations, as noted in a 1928 Supreme Court ruling: “Instrumentalities like the national banks or the federal reserve banks, in which there are private interests, are not departments of the government. They are private corporations in which the government has an interest.” This point is even admitted by the Federal Reserve’s own senior counsel.

> ***Yvonne Mizusawa:*** *Our regulations do specify overall terms for the lending, but the day to day operation of the banking activities are conducted by the Federal Reserve Banks. They are banks, and indeed they do lend…*
>
> ***Peter W. Hall:*** *So they’re their own agency, then, essentially, in that regard.*
>
> ***Yvonne Mizusawa:*** *They are not agencies, your honor, they are “persons” under FOIA. Each Federal Reserve Bank, the stock is owned by the member banks in the district, 100% privately held, they are private boards of directors. The majority of those boards are appointed by the independent banks, private banks in the district. They are not agencies.*
>
> *SOURCE: Freedom of Information Cases*

These private corporations issue shares that are held by the member banks that make up the system, making the banks the ultimate owners of the Federal Reserve Banks. Although the Fed’s profits are returned to the Treasury each year, the member banks’ shares of the Fed do earn them a 6% dividend. According to the Fed, the fixed nature of these returns mean that they are not being held for profit.

Despite the dishonest nature of this description, however, it is important to understand that the bankers who own the Federal Reserve indeed do not make their money from the Fed directly. Instead, the benefits are much less obvious, and much more insidious. The simplest way that this can be understood is that, as a century of history and the specific example of the last financial crisis shows, the Fed was used as a vehicle to bail out the very bankers who own the Fed banks in the most obvious example of fascistic collusion imaginable.

> ***Michel Chossudovsky:*** *A handful of financial institutions have enriched themselves as a result of institutional speculation on a large scale, as well as manipulation of the market. And secondly what they have done is that they have then gone to their governments and said, "Well, we are now in a very difficult situation and you need to lend us…you need to give us money so that we can retain the stability of the financial system."*
>
> *And who actually lends the money, or brokers the public debt? The same financial institutions that are the recipients of the bailout. And so what you have is a circular process. It's a diabolical process. You're lending money…no, you're not lending money, you're handing money to the large financial institutions, and then this is leading up to mounting public debt in the trillions. And then you say to the financial institutions, "We need to establish a new set of Treasury bills and government bonds, etc.," which of course are sold to the public, but they are always brokered through the financial institutions, which establish their viability, and so on and so forth. And the financial institutions will probably buy part of this public debt so that in effect what the government is doing is financing its own indebtedness through the bailouts. It hands money to the banks, but to hand money to the banks, it becomes indebted to those same financial institutions, and then it says, "We now have to*

emit large amounts of public debt. Please can you help us?" And then the banks will say: "Well, your books are not quite in order." And then the government will say: "Obviously they're not in order because we've just handed you 1.4 trillion dollars of bailout money and we're now in a very difficult situation. So we need to borrow money from the people who are in fact the recipients of the bailout."

So this is really what we're dealing with. We're dealing with a circular process.

SOURCE: [The Banker Bailouts]

The 2008 crisis and subsequent bailouts are merely the latest and most brazen examples of the fundamental conflicts of interest at the heart of America's privately-owned central banking system.

Beginning with the collapse of Lehman Brothers in September of that year, the Federal Reserve embarked on an unprecedented program of bailouts and special zero-interest lending facilities for the very banks that had caused the subprime meltdown in the first place. By the cartelization of the Federal Reserve structure, and thus not by accident, it was the very bank presidents who had overseen their banks' lending practices that ended up in the director positions of the Federal Reserve Banks that voted on where to direct the trillions of dollars in bailout money. And unsurprisingly, they directed it toward their own banks.

A stunning [2011 Government Accountability Office report] examined $16 trillion of bailout facilities extended by the Fed in the wake of the crisis and exposed numerous examples of blatant [conflicts of interest]. Jeffrey Immelt, chief executive of General Electric served as a director on the board of the Federal Reserve Bank of New York at the same time the Fed provided $16 billion in financing to General Electric. JP Morgan Chase Chief Executive Jamie Dimon, meanwhile, was also a member of the board of the New York Fed during the period that saw $391 billion in Fed emergency lending directed to his own bank. In all, Federal Reserve Board members were tied to $4 trillion in loans to their own banks. These funds were not simply used to keep these banks afloat, but actually to return these Fed-connected banks to a period of record profits in the same period that the average worker saw their real wages actually decrease and the economy on Main Street slow to a standstill.

Then Fed Chairman Ben Bernanke was [confronted] about these conflicts of interest by Senator Bernie Sanders upon the release of the GAO report in June 2012.

> ***Ben Bernanke**: Senator, you raised an important point, which is that this is not something the Federal Reserve created. This is in the statute. Congress in the Federal Reserve Act said, "This is the governance of the Federal Reserve." And more specifically that bankers would be on the board…*
>
> ***Bernie Sanders**: 6 out of 9.*
>
> ***Ben Bernanke**: Sorry?*
>
> ***Bernie Sanders**: 6 out of 9 in the regional banks are from the banking industry.*
>
> ***Ben Bernanke**: That's correct. And that is in the law. I'll answer your question, though. The answer to your question is that Congress set this up, I think we've made it into something useful and valuable. We do get information from it. But if Congress wants to change it, of course we will work with you to find alternatives.*
>
> ***SOURCE**: [Conflicts at the Fed]*

Bernanke is completely right. These conflicts are in fact a part of the institution itself. A structural feature of the Federal Reserve that was baked into the Federal Reserve Act itself over 100 years ago by the bankers who conspired to cartelize the nation’s money supply. You could not ask for a more succinct reason why the Federal Reserve itself, this admitted cartel of banking interests, needs to be abolished…but you could get one.

Part Three: End the Fed

“*They who control the credit of a nation, direct the policy of Governments and hold in the hollow of their hands the destiny of the people.*” – Reginald McKenna

We now know that for centuries the people of the United States have been at war with the international banking oligarchs. That war was lost, seemingly for good, in 1913, with the creation of the Federal Reserve. With the passage of the Federal Reserve Act, President Woodrow Wilson consigned the American population to a century in which the money supply itself has depended on the whims of the banking cabal. A century of booms and busts, bubbles and depressions, has led to a wholesale redistribution of wealth toward those at the very top of the system. At the bottom, the masses toil in relative poverty, single-income households becoming double-income households out of necessity, their quality of life being slowly eroded as the Federal Reserve Notes that pass for dollars are themselves devalued.

Worse yet, the fraud itself perpetuates Alexander Hamilton’s persistent myth that a national debt is necessary at all. The US is now locked into a system whereby the government issues bonds to generate the funds for their operations, bonds that are backed up by the taxation of the public’s own labor.

The perpetrators of this fraud, meanwhile, remain in the shadows, largely ignored by a general public that could instantly recognise the latest Hollywood heartthrob or pop idol, but have no clue what the head of Goldman Sachs or the New York Fed does, let alone who they are. This cabal bear allegiance to no nationality, no philosophy or creed, no code of ethics. They are not even motivated by greed, but power. The power that the control of the money supply inevitably brings with it.

It did not take long for this lust for power to rear its head. In 1921, just seven years after the Fed began operations, the same J.P. Morgan-connected banking elite that founded the Federal Reserve incorporated an organization called the Council on Foreign Relations with the goal of taking over the foreign policy apparatus of the United States, including the State Department. In this quest, it was remarkably successful. Although there are only about 4,000 members in the organization today, its membership has included 21 Secretaries of Defense, 18 Treasury Secretaries, 18 Secretaries of State, 16 CIA directors, and many other high-ranking government officials, military officers, business elite, and, of course, bankers. The first Director of the CFR was John W. Davis, J.P. Morgan's personal lawyer and a millionaire in his own right.

Together with its sister organizations in Britain and elsewhere around the world, these groups would work together toward what they called a "New World Order" of total financial and political control directed by the bankers themselves. As Carroll Quigley, noted Georgetown historian and mentor of Bill Clinton, wrote in his 1966 work, *Tragedy and Hope: A History of The World In Our Time*:

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

This is why the bankers and their partners in government and business conspired to bring about the 2008 crisis. Not for the pursuit of money, but power. In the same way the bankers used the Panic of 1907 to consolidate their control over the money supply, they hope to use the 2008 crisis and subsequent panics, which they themselves have created, to consolidate their political control.

The inevitable conclusion, one that flows necessarily from the true understanding of this situation, is that the Federal Reserve system needs to be consigned to the dustbin of history. After a century of enslavement, it is time for the American public to finally throw off the bankers' debt chains.

> ***Andrew Gavin Marshall****: If there was ever a point in human history to start questioning alternatives, this would be it. And to think that where we are…and simply say, "Oh, well this is the best of our options," how many of the best options lead to self-destruction? Doesn't sound like a best option.*
>
> *I think that with a world of seven billion people, we can probably come up with something better than a system in which a few thousand people benefit so much at the expense of everything else on this world and at the expense of the potential for the future of mankind. They're leveraging our future, and so long as we accept this way of thinking, so long as we accept these institutions as having dominance, that's the direction we'll be going.*
>
> *So I think reform is a good way to try and stall and to push back directly against the expanding and evolving power structures, but radical change is what's really needed, and that has to be built from the bottom up. But I think that these two processes can and should go together in parallel.*

If you've made it this far, congratulations. You are now better informed on the economic history of the United States and the truth about the Federal Reserve than 99% of the population. If you do nothing else, then just working to get those around you educated on this information alone will have a profound effect. Once they learn of the scam, many are motivated to do something about it, and they, in turn, inform others. This is the viral nature of suppressed truth, and it is the reason that more people are aware of and energized by the issue of the Federal Reserve and the nature of money than ever before.

Perhaps even more amazingly, this movement is spreading to other parts of the globe. Recognizing the interlocking nature of the modern global economy, and the international nature of the banking oligarchy, movements to abolish the Federal Reserve have sprung up in Europe, where protests against the cartelized central banking system are taking place in over 100 cities attracting 20,000 people on a weekly basis.

> ***Lars Maehrholz:*** *I started this movement because I realized that the Federal Reserve Act, in my opinion, is one of the worst laws in the whole world. So a private banking company is lending America the money, and in my opinion is not democratic anymore. The Federal Reserve tells the government what to do, and that's the problem.*

> ***Luke Rudkowski:*** *It's a very big problem, especially in the U.S. Why is it a global issue, and why are people doing it here in Germany?*

> ***Lars Maehrholz****: Because when you realize that this finance system, it's a global system, you have to go really to the beginning of the system. And in my opinion, it's also the World Bank and the International Monetary Fund and stuff like this, but at the beginning of all this is a law from 1913. Woodrow Wilson signed it, and this is the beginning of all this hardcore capitalism we are now suffering from. And the only way to stop this is maybe to break this law.*

SOURCE: [Establishment is Afraid of End The Fed Movement in Germany]()

But what if the burgeoning movement to End The Fed is successful? What system do people propose as the answer? There have been several proposals along different lines by various researchers. [Some argue]() for a return to America's colonial roots of debt-free money issued by state-run banks, pointing to the Bank of North Dakota as one already functioning, successful model of this approach.

> ***Ellen Brown****: We've had two banking systems ever since the 1860's with the state bank system and the federal bank system, and the federal bank system are the big Wall Street banks particularly. They dominate the federal system. So, they're taking over right now. In California we don't even have any local banks where I am. We had two and I had accounts in both of them and now one of them is Chase Bank and the other is U.S. Bank. So they're both big Wall Street banks now that have been taken over.*
>
> *So it's the local banks that have an interest in serving the local business. The big banks have no interest in making loans to local businesses; it's too risky, why should they bother? They've got this virtually free money they can get from the Fed and from each other and it's much more lucrative to them either to speculate in commodities or other thing abroad, or what works very well for them is to buy long-term government bonds at 3% because these have no capital requirement. The capital requirements for government bonds are zero. So they can buy all of those that they want. Whereas if they make loans for mortgages or they make loans to businesses then they have to worry about the capital requirement and as soon as they've used up all their capital–in other words eight dollars in capital will get you a hundred dollars of loans–then they can't make any more loans they have to wait for thirty years for the loans to get*

paid off. So what they do if they do buy mortgages is sell them off too investors and so that's the whole mortgage-backed security scam that we've seen. They had no motivation to make sure that these borrowers were actually sound borrowers; they just wanted to make a sale. So they sold the stuff to the unwary investors who might be somebody in Iceland or Sweden or pension funds. So that didn't work out so well.

So a state bank partnering with the local banks can provide the capital. It can help them with capital. In North Dakota the state bank guarantees the loans of the local banks, allowing them to make much bigger loans than they could otherwise. The state bank provides liquidity to the small banks. That's why the local banks aren't making loans to small business right now, because they don't know that they can get money from the other banks as needed. The way banking works is they make the loan first. I mean, if you have credit lines to many different businesses and if they all hit up their credit lines at once you are going to run out of money. So you don't dare do that unless you know that you can get short-term loans from the other banks. And so what's happening right now, even though there's $1.6 trillion is excess reserves sitting on the books of the big banks, they're not available to the little banks and the reason is because the Fed is paying 0.25% interest on those reserves. So the banks have no incentive to lend them to the little banks. Why let go of them when you can make just as much keeping them and then you still have your reserves and you can use them as collateral to buy bonds or something that'll make you more money?

So the whole system is messed up and in North Dakota, the bank of North Dakota provides liquidity for these local banks.

***SOURCE**: [Ellen Brown: Finance Capital vs. Public Banking]*

[Others advocate] a decentralized system of alternative and competing currencies that greatly reduce or even eliminate altogether the need for a central bank.

> ***Paul Glover**: Well, 22 years ago in Ithaca, New York I noticed there were a lot of people, friends particularly, that had skills and time that were not being employed or respected by the prevailing economy. While we had much desire to create things and trade them with each other and many services we could provide to each other, we didn't have the money. So since I have a background in graphic design, journalism and arrogance I went to my computer and designed paper money for Ithaca, New York. I designed pretty colourful money with pictures of children, waterfalls and trolley cars denominated in hours of labor. One-hour note, half-hour, quarter, eight-hour notes and two-hour notes. I then began to issue to each of those pioneer traders who had agreed to being listed in the directory a specific starter amount, and the game began. An hour has been worth basically $10 U.S. dollars which at that time 20 years ago was double the minimum wage. People who usually expect more than $10 per hour of their service can charge multiple hours per hour but the denomination puts between us as residents of our community, that reminds us that we are fellow citizens, not merely winners or losers scrambling for dollars. It introduces us to each other on the basis of these skills and services that we have, that we are more proud to provide for each other than often is the case with a conventional job. Just the stuff we have to do to get the money to pay the bills.*
>
> *So through that trading process, that more intimate scale process within the community, we're more easily able to become friends and lovers and political allies.*
>
> ***James Corbett**: It's an inspiring story and tell people about how much money has circulated through this community. I mean, it's important for people to understand just how successful this has been.*

> ***Paul Glover**: Because we are not a computer system we don't have a specific volume of trading recorded but by the grapevine, by phone surveys and over the years watching the money move we were able to guess very reliably that several million dollars equivalent of this money has transacted over those years. Making loans without charging interest up to $30,000 value, which is the fundamental monetary revolution in our system. Then as well, making grants of the money to over a hundred community organizations.*
>
> ***SOURCE**: Avoiding Economic Collapse: Complementary Currencies*

Some argue for currencies whose mathematical nature prevent them from being merely conjured into existence whenever a federal government wants to wage another war of aggression or forge another link in the seemingly endless train of governmental tyranny and abuse.

> ***Roger Ver**: What people have to understand about bitcoin is that it's a completely decentralized network. There's no central server, there's no controlling company, there's no office, it's just free software that anyone can download and start running on their computer anywhere in the world. And that the bitcoins themselves can be transferred to or from anyone, anywhere in the world and it's impossible for any bank or government or entity to block you from sending or receiving those bitcoins. There's a limited supply of those bitcoins, there will never ever be any more than 21 million bitcoins. So, like everything the price is set based on supply and demand. Because the supply of bitcoins is limited and the demand is increasing as more and more people start to use them and more and more websites start to accept them, the price of bitcoins in terms of dollars is going to have to increase, even a lot more than the $500 per bitcoin that it is today.*
>
> ***James Corbett**: Are there any drawbacks at all to the idea of*

using a crypto-currency?

***Roger Ver**: If you're part of the current power elite that can just print money at will to spend on whatever you feel like, then, yeah, the world switching over to bitcoin is probably not going to benefit you. But if you're one of the normal people that aren't working for the Federal Reserve or any central bank that's printing money to pay to your friends and that sort of thing, then a bitcoin world is a wonderful thing for you.*

SOURCE: How to Defund the System: Bitcoin vs. the Central Banksters

Sound money. Cryptocurrencies. State banks. LETS programs. Self-issued credit. These and many other solutions have all been proposed and many of them are in use in different localities today. Information on all of these ideas and how they are being applied in various parts of the world is widely available online today. The point is that the question of what money is and how it should be created is perhaps the single greatest question facing humanity as a whole, and yet it is one that has been almost completely eliminated from the national conversation…until recently.

For the first time in living memory, people are once again rallying around the monetary issue, and American politics stands on the threshold of a transformation almost unimaginable just two decades ago.

And so the rest of the story is now in our hands. Once we understand the scam that has taken place, the gradual consolidation of wealth and power in the hands of an elite few banking oligarchs and the growing impoverishment of the masses, all in the name of banking funny money created out of nothing and loaned to the public at interest, we can choose to get active or to do nothing at all.

For those who choose to get active, there are some steps that you can take to help change the course of this system:

1) Follow the links and resources from the transcript of this documentary at corbettreport.com/federalreserve to familiarize yourself with the history, the connections and the functions of the Federal Reserve system. If you can't explain this material to yourself then you will never be able to teach it to others.

2) Begin reaching out to others to bring them up to speed on the issue. It can be as simple as broaching this conversation in the Monday morning water cooler talk or passing out a copy of this documentary or sending out links to this information to your email list. Insert this topic into your conversations. When people start talking about the national debt or the state of the economy or other political talking points, get them to question the roots of these issues, and why there is a national debt at all.

3) When you are able to find or create a group of like-minded people in your area who are engaged with the issue, start a study group on the issue and its solutions. The study group can help source alternative or complementary currencies in the local area, or, if none exist already, the group can form the basis for a community of local businesses and customers who are willing to start experimenting with ways to wean themselves off of the Federal Reserve notes.

4) Use the resources at corbettreport.com, including the Federal Reserve information flyer, or hold DVD screenings, to attract interest in your group and draw others into studying the true nature of the monetary system.

The work of building up an alternative to the current system can seem daunting, even at times overwhelming. But it's important to keep in mind that the Federal Reserve System that seems so monolithic today has only been around for one century. Central banks have been defeated in America before and they can be defeated again.

The question of how we decide to change this system is not rhetorical; it will either be answered by an informed, engaged, active population working together to create viable alternatives and to dismantle the current system, or it will be answered by the same banking oligarchy that has been controlling the money supply, and indeed the lifeblood of the country, for generations.

Now, one century after the creation of the Federal Reserve System, we have a choice to make: whether the next century, like the one before it, will be a century of enslavement or, transformed by the actions and choices that we make in the light of this knowledge, a century of empowerment.