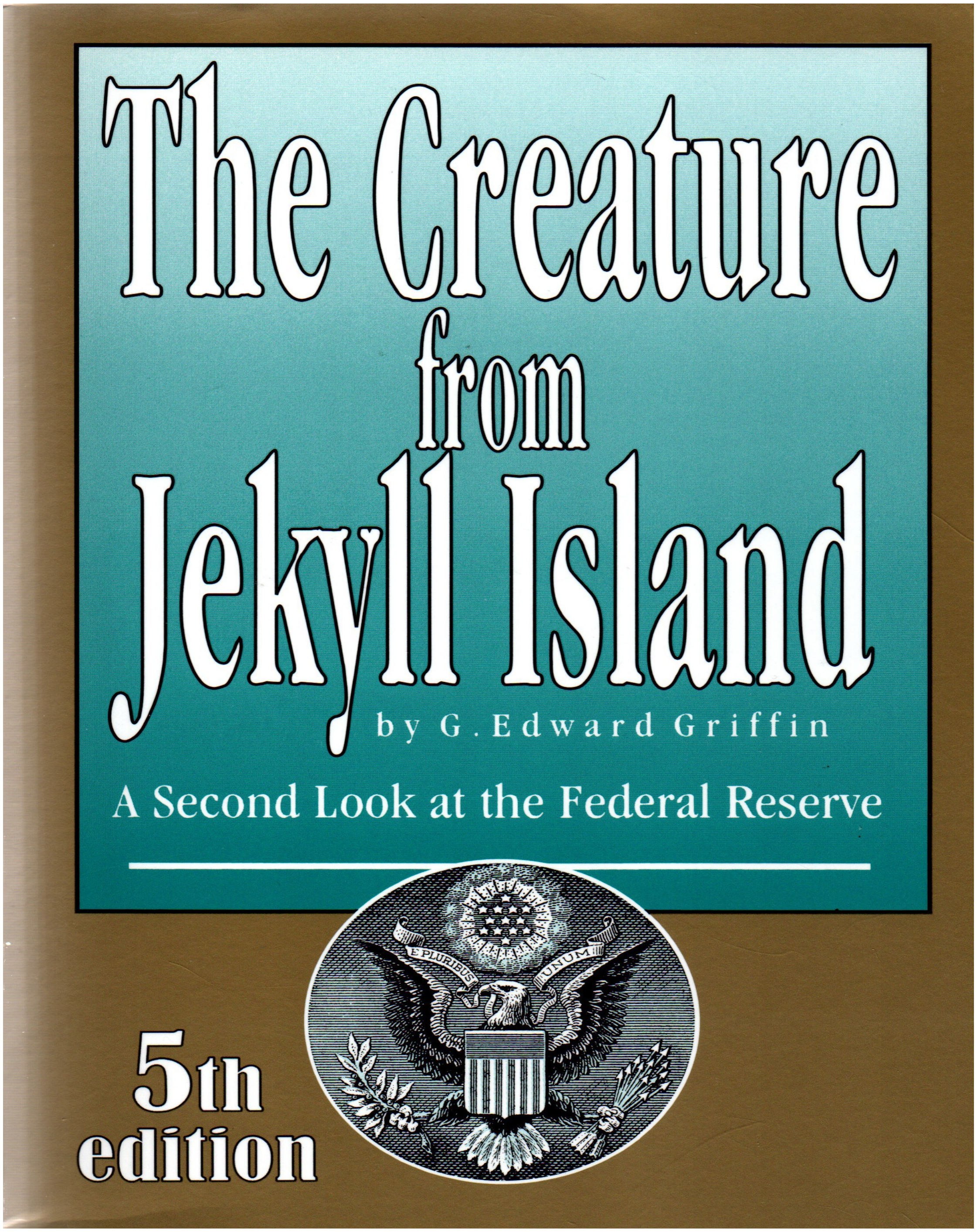
THE FEDERAL RESERVE

Most of the ideas in this presentation come from the book:



WHAT YOU SHOULD KNOW ABOUT THE FEDERAL RESERVE.

- It is not a Government agency.

- What became know as "The Federal Reserve Act" was a scheme devised by six of the richest men in the early 1900's. It is estimated that these men represented 25% of the total wealth of the entire world. These men were:
  - Nelson W. Aldrich, Republican "whip" in the Senate, Chairman of the National Monetary Commission, business associate of J.P. Morgan, father-in-law to John D. Rockefeller, Jr;
  - Abraham Piatt Andrew, Assistant Secretary of the U.S. Treasury;
  - Frank A. Vanderlip, president of the National City Bank of New York, representing William Rockefeller and the international investment banking house of Kuhn, Loeb & Company;
  - Henry P. Davison, senior partner of the J.P. Morgan Company;
  - Benjamin Strong, head of J.P. Morgan's Bankers Trust Company;
  - Paul M. Walburg, a partner in Kuhn, Loeb & Company, a representative of the Rothschild banking dynasty in England & France, and brother to Max Warburg who was the head of the Warburg banking consortium in Germany and the Netherlands.

THEY WANTED A BANKING CARTEL. THEIR MOTIVATION WAS TO REDUCE COMPETITION AND INCREASE PROFITABILITY:

- There were too many banks competing for business.
- For future growth, businesses were using their profits instead of getting loans.
- The Federal Government was reducing debt.
- They wanted to make money more plentiful and that meant disconnecting money from gold.
- They were concerned about runs on banks. They wanted to shift blame away from themselves and make it appear as a problem of the national economy. This would open the door for using tax money to solve the problem.

Banks were already doing this in Europe. It was now time to do it in the US. The challenge was to convince the American Public that the Federal Reserve was for their benefit, and not for the benefit of the bankers. They used propaganda to get this message across. They had prominent bankers state that the Federal Reserve Act was a bad idea. It was act and the public believed it. If the bankers didn't like it, it must be good for the people. They also got a well known professor to say it was a great idea.

SO THEY GOT IT PASSED in 1913. Since then it was amended 195 times.

WOODROW WILSON WAS THE PRESIDENT WHEN THE FEDERAL RESERVE ACT WAS PASSED.

He got elected because the bankers knew he would support them. It is interesting how Woodrow Wilson got the United States into the First World War. J.P. Morgan was involved in providing England with loans to support their war effort. However, Germany was winning the war and if she won, England would not be able to pay back the loans. He wanted to get the United States to loan money to England so that he could make his profit. As long as the United States was neutral, it could not loan the money. So Woodrow Wilson was tasked with getting the US into the war. This lead to the Lusitania being sunk. This ship was advertised as a passenger ship, however that was a cover. Even though it did have passengers, the majority of cargo was military supplies. Germany knew this and actually contacted US Newspapers to print a request by Germany to not become a passenger on the Lusitania. It was a legitimate military target. Only one US Newspaper printed the ad. Also, Britain did not provide the usual military escort for the ship [Winston Churchill was head of the English Navy at this time], and allowed for it to enter waters that was know had a German Submarine.

This is an example of how people like J. P. Morgan were more interested in profits that human lives. As a matter of fact throughout history, bankers would finance both sides of a ware. They didn't care who won as long as they got their profits. As matter of fact the bankers encouraged war.

(B.) NATURAL LAWS OF HUMAN BEHAVIOR IN ECONOMICS

NATURAL LAW NO. 1

LESSON: When gold (or silver) is used as money and when the forces of supply and demand are not thwarted by government intervention, the amount of new metal added to the money supply will always be closely proportional to the expanding services and goods which can be purchased with it. Long-term stability of prices is the dependable result of these forces. This process is automatic and impartial. Any attempt by politicians to intervene will destroy the benefit for all. Therefore,

LAW: Long-term price stability is possible only when the money supply is based upon the gold (or silver) supply without government interference.

NATURAL LAW NO. 2

LESSON: Whenever government sets out to manipulate the money supply, regardless of the intelligence or good intentions of those who attempt to direct the process, the result is inflation, economic chaos, and political upheaval. By contrast, whenever government is limited in its monetary power to only the maintenance of honest weights and measures of precious metals, the result is price stability, economic prosperity, and political tranquility. Therefore,

LAW: For a nation to enjoy economic prosperity and political tranquility, the monetary power of its politicians must be limited solely to the maintenance of honest weights and measures of precious metals.

NATURAL LAW NO. 3

LESSON: Fiat money is paper money without precious-metal backing and which people are required by law to accept. It allows politicians to increase spending without raising taxes. Fiat money is the cause of inflation, and the amount which people lose in purchasing power is exactly the amount which was taken from them and transferred to their government by this process. Inflation, therefore, is a hidden tax. This tax is the most unfair of all because it falls most heavily on those who are least able to pay: the small wage earner and those on fixed incomes. It also punishes the thrifty by eroding the value of their savings. This creates resentment among the people, leading always to political unrest and national disunity. Therefore,

LAW: A nation that resorts to the use of fiat money has doomed itself to economic hardship and political disunity.

NATURAL LAW NO. 4

LESSON: Fractional money is paper money which is backed by precious metals up to only a portion of the face amount. It is a hybrid, being part receipt money and part fiat money. Generally, the public is unaware of this fact and believes that fractional money can be redeemed in full at any time. When the truth is discovered, as periodically happens, there are runs on the bank, and only the first few depositors in line can be paid. Since fractional money earns just as much interest for the bankers as does gold or silver, the temptation is great for them to create as much of it as possible. As this happens, the fraction which represents the reserve becomes smaller and smaller until, eventually, it is reduced to zero. Therefore,

LAW: Fractional money will always degenerate into fiat money. It is but fiat money in transition.

NATURAL LAW NO. 5

LESSON: It is human nature for man to place personal priorities ahead of all others. Even the best of men cannot long resist the temptation to benefit at the expense of their neighbors if the occasion is placed squarely before them. This is especially true when the means by which they benefit is obscure and not likely to be perceived as such. There may be exceptional men from time to time who can resist that temptation, but their numbers are small. The general rule will prevail in the long run.

A managed economy presents men with precisely that kind of opportunity. The power to create and extinguish the nation's money supply provides unlimited potential for personal gain. Throughout history the granting of that power has been justified as being necessary to protect the public, but the results have always been the opposite. It has been used against the public and for the personal gain of those who control. Therefore,

LAW: When men are entrusted with the power to control the money supply, they will eventually use that power to confiscate the wealth of their neighbors.