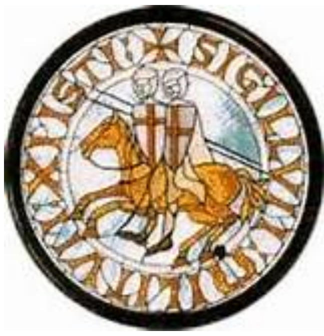


Banking 101 – from the Knight's Templars to Wall St – from the middle ages to today's economic oligarchs

Conrad LeBeau

During the Middle Ages from about 1100 to 1300 AD, the Knight's Templars had established their castles throughout Europe as a safe place to store gold and silver coins along with other valuables. The Templars helped to finance the Crusades, and with the Pope's blessings, they became a favorite charity for millions of Christians.

According to a timeline of the Order of the Knights Templars compiled by the Medieval Combat Society, the Templars began using letters of credit in 1150. With the confidence of the public supporting them and with the creative use of letters of credit (IOUs) and notes, they established a vast credit lending system that soon left them in possession of large vineyard holding, farm lands, buildings and other property throughout Europe.

The secrets of the Templars - how their safe houses became de facto banks

It is because the castles owned by Templars had armed guards; people would bring their most treasured possessions to the castles for safekeeping. Public confidence in the Knights Templars also increased when the Pope gave his approval of the Templars as a charity for financing the Crusades. Wikipedia (1) research on the Templars states:

"By 1150, the Order's original mission of guarding pilgrims had changed into a mission of guarding their valuables through an innovative way of issuing letters of credit, an early precursor of modern banking. Pilgrims would visit a Templar house in their home country, depositing their deeds and valuables. The Templars would then give them a letter which would describe their holdings. Modern scholars have stated that the letters were encrypted with a cipher alphabet based on a Maltese Cross; however there is some disagreement on this, and it is possible that the code system was introduced later, and not something used by the medieval Templars themselves.[5][6][7] While traveling, the pilgrims could present the letter to other Templars along the way, to "withdraw" funds from their accounts. This kept the pilgrims safe since they were not carrying valuables, and further increased the power of the Templars.

"The Knights' involvement in banking grew over time into a new basis for money, as Templars became increasingly involved in banking activities. One indication of their

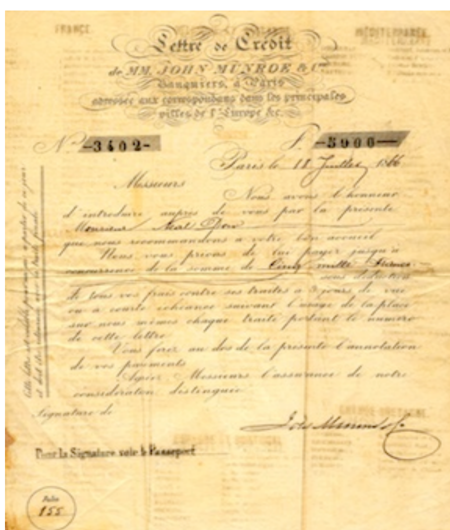
powerful political connections is that the Templars' involvement in usury did not lead to more controversy within the Order and the church at large. Officially the idea of lending money in return for interest was forbidden by the church, but the Order sidestepped this with clever loopholes, such as a stipulation that the Templars retained the rights to the production of mortgaged property. Or as one Templar researcher put it, "Since they weren't allowed to charge interest, they charged rent instead."[8]

Ref: Wikipedia.org

How the Templars "letters of credit" became a form of medieval currency

The Templars issued "Letters of Credit" (LOC), an I Owe You (IOU), for gold and silver coins, and other valuables that were described in the LOC. This meant that the person named in the LOC could present the IOU for the coins or other valuables it represented. However, more often than not, they would leave the coins and other valuables in the Templar's vaults, and would trade the IOU's among themselves for goods and services. While records from this area are scant, they could have assigned the LOC to another person with a hand written note or their signature somewhere on the LOC. The process of trading the LOC for goods or services could pass through several persons before the last person to receive it would return to the Templar Castle to redeem it. In this way, the LOC could circulate like a check that was endorsed by several different parties - a kind of local currency.

During the era of the Templar's credit system, they convinced kings and monarchs through Europe to pass decrees and laws to allow for mortgage notes and mortgages that became liens on real property. With the law to enforce collection of their loans, and with paper available to create an unlimited supply of LOCs and Demand Notes as credit instruments, the Templars became the moneylenders of Europe. Essentially, the Letters of Credit would look something like this one from France in 1866 except the earliest ones were handwritten -



Lettre de Crédit
de MM. JOHN MUNROE & Cie
Banquiers, à Paris
adressée aux correspondans dans les principales villes de l'Europe &c.

N° -3402- F. -5000-

Paris le 18 Juillet 1866

Messieurs

Nous avons l'honneur d'introduire auprès de vous par la présente Monsieur [illegible] que nous recommandons à votre bon accueil.

Nous vous prions de lui payer jusqu'à concurrence de la somme de Cinq mille Francs sous déduction de tous vos frais contre ses traites à 3 jours de vue ou à courte échéance suivant l'usage de la place sur nous mêmes chaque traite portant le numéro de cette lettre.

Vous ferez au dos de la présente l'annotation de vos paiements.

Agréez Messieurs l'assurance de notre considération distinguée

Signature de

John Munroe & Co

Pour la Signature voir le Passeport

Folio 155

The lending of large quantities of these Templar paper notes became a local currency that created prosperity in towns and villages throughout Europe along with a growing debt caused by the loans and rental fees for the use of this money. When crops failed due to bad weather, the Templars would foreclose on the properties and as a result the Templars acquired vineyards and vast real estate holdings throughout Europe.The Templars system of lending credit in the middle ages was a forerunner of today's modern banking system.

The unique nature of money is that it can be recycled over and over again because people don't eat it.

The unique nature of money is that because people don't eat it, and use it only for trade, allowed the Templars, and later on the banks, to lend more paper Notes (IOU's) than they had gold or silver available on hand to redeem those notes. If cash as gold and silver coins were edible, then the Templars and today's bankers would fold up and go out out business in one day, because everyone who was hungry would be cashing their checks for that edible money. However, coins are not edible and paper money is durable and hard to chew. If you tried spreading strawberry jam on a dollar bill, it would not be as tasty as on a bagel. However, if a dollar bill was made of a fine pastry from all purpose flour, it might just quench your taste buds.

The Templars found that they could lend the same money out several times over as paper Notes promising redemption in gold or silver coins, this is, providing the people believed they could redeem the Notes anytime they wanted to. This system works until a panic sets in and people line up and withdraw their money from the bank. When the banks ran out of gold and silver coins and closed their doors, people lost their savings. This led to the expression: "**short bankers hang from tall trees**." This was when money was supposed to be backed by specie - that is gold and silver coins.

Cash (coins and currency) have been replaced by "digital dollars"

Today, the U.S. monetary system, originally founded in 1792 was based on gold and silver, is now primarily based on "digital money" that is stored in the hard drives of the bank's computers; and to a lessor extent on paper currency and coins (cash). Cash comprises less than 5% of our money supply and the balance of what we use as money (the other 95% or more) is cashless.

The cashless money system we use today is basically a record keeping system of numbers called "dollars." Computers have replaced the handwritten bookkeeping system that the Templar's used (as well as banks) prior to the 20th century. Today's modern banks create "money" by writing checks and adding digital dollars to a borrower's bank account. The use of credit cards creates new digital dollars every time a borrowers buys a product with a credit card. Big banks lend credit with less than 5 cents in cash for every dollar of credit they loan. Strange as it may sound, 95% of the assets that back up the credit card transaction are the borrowers own promise to repay the credit borrowed when the card is used. Once created, credit card digital dollars are then transferred to another bank account, usually a merchant. Debit cards, unlike credit cards, do not create new digital dollars, but simply transfer digital dollars as a bookkeeping entry from one account to another.

The First United States Bank 1791-1811

The first U.S. bank founded in 1791 issued Notes based on the Rothschild model used at the Bank of England. It was the legislative child of Alexander Hamilton, then George Washington's Treasury Secretary. Thomas Jefferson and James Madison opposed the bank as a private corporation allowed to issue money and the controversy over who should have the power to issue the nations money began then and still exists to this day.

In the year 2014, and more than two centuries and 23 years later, 95% of our money exists entirely in the hard drives of the bank's computers while cash consisting of coins and legal tender currency (Federal Reserve Notes) comprise the remaining 5% or less. While banking laws make "**Federal Reserve Notes**" and coins "***legal tender for all debts public and private***," all checks, money orders, credit cards and similar paper instruments are "negotiable instruments" and are not legal tender in and of themselves, but are suppose to be redeemable in "legal tender" money. When the public places absolute trust in the banks, and prefers checks and credit cards over cash, the banks practice "***sleight of hand***" lending by writing checks and making loans for amounts in excess of their customer's total actual deposits and thus create "**checkbook money.**"

Today's bankers have long known what the Templars discovered centuries ago, that the profitability of banking is not lending gold and silver coins (cash) but rather lending their own Notes (bank checks) that promises to be redeemable in lawful money. When most people do not redeem their checks by cashing them, the same money is loaned out over and over again.

The Templar's secret and today's bankers secret is that they make loans beyond the total value of their customer's deposits. These loans are interest free to the lenders and circulate as money because the public is willing to accept paper and electronic substitutes for the real thing (cash). For most of our history, this substitute money was in the form of "bank checks." Today it includes credit cards, debit cards, money orders, and sums of dollars digitally added (credits) to a checking account that the account holder can spend. The "money" is added with the stroke of a computer's keyboard; it exists entirely as a bookkeeping entry to a customer's bank account. The creation of debt instruments as money by the Knight's Templars made them many friends as well as enemies.

The fall of the Templars

Jacques de Molay was the grand Master of the Order and Geoffrey de Charney was the Preceptor of Normandy. King Philip IV of France was deeply in debt to the Templars and on Friday 13th October 1307 accused them of heresy and had them arrested in France. (1)

"By seizing the Templar assets, King Phillip avoided having to pay back debts, and by

confiscating further Templar assets Philip was able to make further money, although he found very little gold and silver in their vaults. Pope Clement then issued the bull Pastoralis Praeeminentiae on November 22, 1307, and instructed all Christian Kings and monarchs in Europe to arrest the Templars and seize their assets. With the seizure of the Templars assets, their banking system collapsed, but in due time a banking system based on credit instruments was revived in other countries.

Ref:1. The Medieval Combat Society.2. "Holy Blood, Hold Grail" by Michael Baigent, Richard Leigh, Henry Lincoln

The following is excerpted from Worldhistory.net*

"Bank notes: 1661-1821"

"Paper currency makes its first appearance in Europe in the 17th century. Sweden can claim the priority (as also, a few years later, in the first national bank). In 1656 Johan Palmstruch establishes the Stockholm Banco. It is a private bank but it has strong links with the state (half its profits are payable to the royal exchequer). In 1661, in consultation with the government, Palmstruch issues credit notes which can be exchanged, on presentation to his bank, for a stated number of silver coins.

"Palmstruch's notes (the earliest to survive dates from a 1666 issue) are impressive-looking pieces of printed paper with eight hand-written signatures on each. If enough people trust them, these notes are genuine currency; they can be used to purchase goods in the market place if each holder of a note remains confident that he can indeed exchange it for conventional coins at the bank.

"Predictably, the curse of paper money sinks the project. Palmstruch issues more notes than his bank can afford to redeem with silver. By 1667 he is in disgrace, facing a death penalty (commuted to imprisonment) for fraud.

The Rothschild dynasty: 1801-1815

William IX, ruler of the German state of Hesse-Kappel and possessor of a vast fortune, has for some years consulted in a private capacity his friend Mayer Amschel Rothschild, a Jewish banker and merchant of Frankfurt. He values Rothschild's advice both on matters of finance and on additions to his art collection. In 1801 he formally appoints him his court agent, and encourages him to offer his financial skills to other European princes in these troubled years when Napoleon is unsettling the continent.

Rothschild responds energetically to this opportunity. By 1803 he is in a position to lend 20 million francs to the Danish government.

The Danish loan is the first of many such transactions on behalf of governments which rapidly establish the Rothschild family as Europe's most powerful bankers, rising to a pre-

eminence comparable to that of the Medici and the Fugger in earlier centuries.

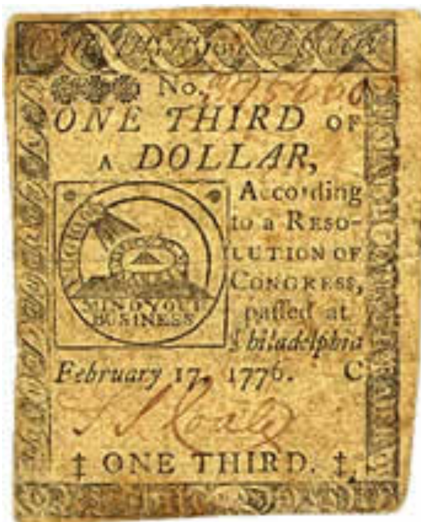
The family is soon represented in all the important centres of the continent. Mayer Amschel has five sons. He keeps the eldest, Anselm Mayer, at his side to inherit the Frankfurt bank. The four younger sons establish branches elsewhere: Solomon in Vienna, Nathan Mayer in London, Karl in Naples and Jacob in Paris. (*)

*Worldhistory.net

The following are excerpts from the Federal Reserve Bank of Minneapolis on the history of banking in the United States -

A New Nation: 1775-1790

To finance the American Revolution, the Continental Congress printed the new nation's first paper money. Known as "continentals," the notes were originally intended to be redeemable on demand in specie. However, the congress reneged on its promise and issued notes in such quantity that they led to inflation, which, though mild at first, rapidly accelerated as the war progressed. Eventually, people lost faith in the notes, and the phrase "not worth a continental" came to mean "utterly worthless."



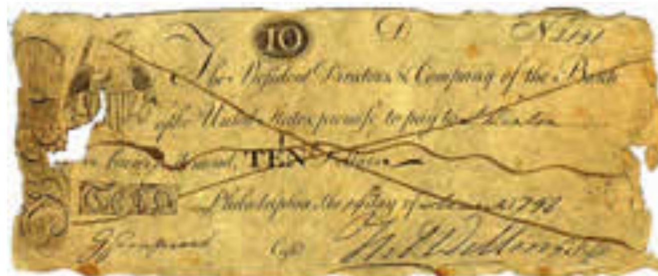
After the Revolutionary War ended, the nation had substantial debt, a significant portion of which was issued by the individual states. There was no common currency, as many states printed their own money. These were two of the chief financial problems facing the nation's founders around the time the Constitution was written. Alexander Hamilton thought having the federal government take over the states' war debts would be a good way to fix these problems while establishing federal power preeminent over that of the states, another of his goals.

The First Bank of the United States: 1791-1811

The Constitution itself prohibited state governments from issuing their own currency. The Bank of the United States was conceived in 1790 to deal with the war debt and to put the government on sound financial footing. It was intended to help fund the government's debt and issue currency notes. Hamilton, then President George Washington's Treasury secretary, was the architect of the Bank, which he modeled after the Bank of England.

The Bank was to have start-up capital of $10 million, financed by selling stock. This was quite a large sum at the time. The federal government would own $2 million, giving it substantial control, with the remainder owned by private investors. In addition to the main office in Philadelphia, the Bank had eight branches, one in each of the nation's major cities.

Though the intent of the Bank was to facilitate government finances, Hamilton had another goal in mind—to function as a commercial bank. At the time of the revolution, there were barely any banks in the colonies; Britain had used its authority to protect its own banks and prevent the development of financial rivals. Hamilton's vision was to create a central source of capital that could be lent to new businesses and thereby develop the nation's economy. So while in some ways the First Bank prefigured the Federal Reserve, it also differed from it significantly by offering commercial loans, which the Fed, along with most modern central banks, does not do.



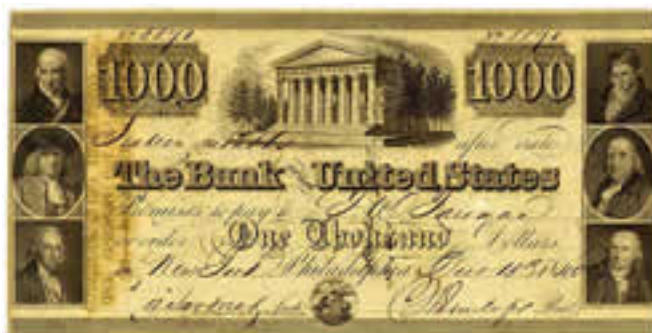
However, from the beginning, there were those who argued that the Bank was unconstitutional. The Constitution granted power to tax and print money to Congress, not a private corporation, critics argued. Also, with the war debt largely taken care of, many no longer saw the need for a national bank. So in 1811, when faced with the decision to renew the Bank's charter, Congress refused, by one vote, to renew it, and the bank ceased operations.

The Second Bank of the United States: 1816-1836

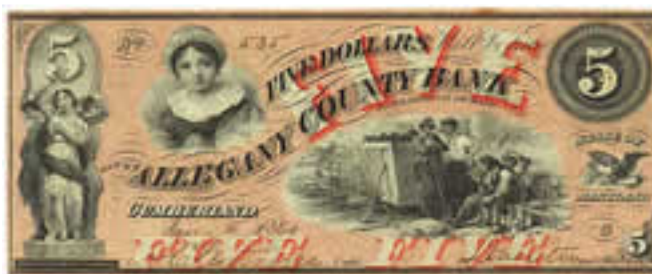
With the War of 1812, federal debt began to mount again. At the same time, most state-chartered banks, which were issuing their own currency, suspended specie payments. So public opinion again became favorable toward the idea of a national bank, and Congress chartered a new one, charged primarily with promoting a uniform currency by getting banks to resume specie payments. The Second Bank functioned as a clearinghouse; it held large quantities of other banks' notes in reserve and could discipline banks that it was concerned were over-issuing notes with the threat of redeeming those notes. In this way, it functioned as an early bank regulator, a crucial function of the modern Fed.

The Second Bank was similar in structure to the First Bank, but bigger; it had capital of $35 million, with the government again holding one-fifth of the shares. Like the First Bank, it was headquartered in Philadelphia; over the time it operated, it had offices in 29

major cities around the country. Unlike the First Bank, however, the Second Bank was poorly managed at its outset and was on the verge of insolvency within a year-and-a-half after it opened. But after a Congressional inquiry into the Second Bank's problems, Langdon Cheves was brought in as president in 1819 and saved it from collapse. Cheves was succeeded by Nicholas Biddle in 1822, and the Second Bank is generally considered to have operated effectively under their leadership.



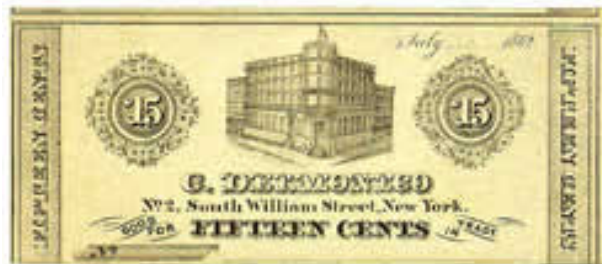
However, the Second Bank still had powerful opponents, primarily in the form of President Andrew Jackson. Jackson hadn't forgotten the lessons from the early years of the Bank's existence—that such a powerful private institution was susceptible to corruption and would be difficult to control. At the time Jackson was elected, the Bank was operating successfully and was one of the most powerful organizations in the country. Jackson made his opposition to the Bank clear from the beginning. When Bank President Nicholas Biddle heard Jackson intended to close the Bank, he began to use the Bank's resources against Jackson, which ignited a bitter struggle. When Jackson refused to renew the Bank's charter in 1832 and later began to pull federal deposits from its vaults, it was effectively crippled and withered until the charter expired in 1836.



"Free" Banks: 1837-1863

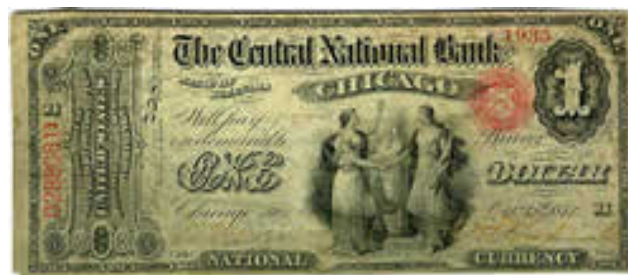
While there had always been state-chartered banks in the United States, with loss of the Second Bank's charter, there was a need for more banking. Consequently, during the period from 1837 to the Civil War, commonly known as the free banking era, states passed "free bank laws," which allowed banks to operate under a much less onerous charter. While banks were regulated, they were relatively free to enter the business by simply depositing government bonds with state auditors.

These bonds were the collateral backing the notes free banks issued. In addition, free banks were required to redeem their notes on demand in specie. As a result of the free banking laws, hundreds of new banks opened their doors, and free bank notes circulated around the country, often at a discount: The discount on a given bank note varied in part with the distance from the issuing bank and in part with the perceived soundness of the bank.



National Banks: 1863-1913

The outbreak of the Civil War and the need to finance it led again to a renewed interest in a national bank. But this time, with the lessons of the Second Bank, the designers took a different approach, modeled on the free banking system. In 1863, they established what is now known as the "national banking system."

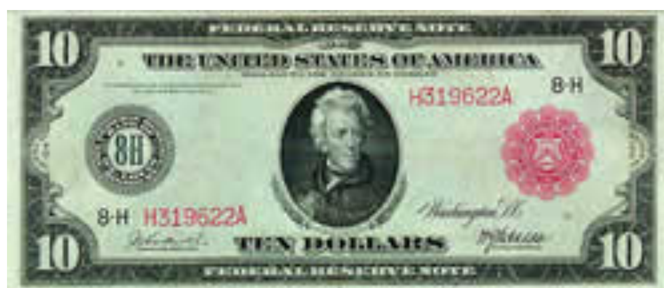


The new system allowed banks to choose between a national charter and a state charter. With a national charter, banks had to issue government-printed bills for their own notes, and the notes had to be backed by federal bonds, which helped fund the war effort. In 1865, state bank notes were taxed out of existence. Thus, in spite of all previous attempts, this was the first time a uniform national currency was established in the United States.

Panic! 1873, 1893, 1907

While the national banking system served its role in financing the war and establishing a uniform currency, it was fraught with at least one bank panic in every decade after the Civil War. A bank panic would often begin when depositors would learn that their bank was unable to meet withdrawal requests. This, in turn, caused a "run" on the bank, in which a large number of depositors attempted to pull out their money, causing an otherwise solvent bank to fail. Seeing this, depositors at other banks were led to withdraw their funds, causing a system wide panic.

In 1893, a bank panic coincided with the worst depression the United States had ever seen, and the economy stabilized only after the intervention of financial mogul J. P. Morgan. After another particularly bad panic and ensuing recession in 1907, bankers and the Congress decided it was time to reconsider a centralized national bank.



Laying the Groundwork: 1908-1912

This reconsideration led to the Aldrich-Vreeland Act of 1908, which provided for emergency currency issues during crises. The act also established the National Monetary Commission to search for a long-term solution to the nation's banking and financial problems. The 1912 election of Democrat Woodrow Wilson replaced the Republican Aldrich plan, with what was to emerge as the Federal Reserve Act of 1913.

Though not personally knowledgeable about banking and financial issues, Woodrow Wilson solicited expert advice from Virginia Rep. Carter Glass, soon to become the chairman of the House Committee on Banking and Finance, and from the Committee's expert adviser, H. Parker Willis, formerly a professor of economics at Washington and Lee University. Throughout most of 1912, Glass and Willis labored over a central bank proposal, and by December 1912 they presented Wilson with what would become, with some modifications, the Federal Reserve Act.

From December 1912 to December 1913, the Glass-Willis proposal was hotly debated, molded and reshaped. By December 23, 1913, when President Woodrow Wilson signed the Federal Reserve Act into law, it stood as a classic example of compromise—a decentralized central bank that balanced the competing interests of private banks and populist sentiment.

The Federal Reserve: 1913-present

In the intervening 70 years since the Second Bank closed, central banks in other countries such as England began to take on new roles. Their preferred status as the government's banker caused others to view them as more secure, which led to their holding deposits and serving as a "banker's bank." That, along with an expanded role in payments and lending, led to their taking on a regulatory role, since they needed to ensure the quality of banks with which they were doing business. And finally, their power over the issuing of currency and tremendous capital holdings led to the development of monetary policy, for which central banks are now best known.

In designing the new Bank, Glass and Willis took lessons from the First and Second banks. They removed the private role of the bank in commercial lending, so that the new bank would be a largely public institution. Profits in excess of cost were handed over to the U.S. Treasury. In addition, the Fed was given authority over the nation's payments system. Financial transfers and check processing that were handled by private clearinghouses would now be conducted by the Fed, with the fees for such services going to run the Bank.

Wary of repeating a battle like the one between Jackson and Biddle, the Federal Reserve's founders designed a decentralized central bank to prevent the concentration of power. There was concern that the new central bank would be run by, and for, Wall Street, and so it was important to the founders that the Bank not be focused on New York. Thus, the system was decentralized into District Banks, which operated independently, and with an oversight board located in Washington, D.C. Each District Bank issued its own money, backed by the promise to redeem this money in gold.

After Congress passed and President Wilson signed the Federal Reserve Act in 1913, Congress established 12 District Banks to reflect the distribution of population and banking in the country. [For more on the Federal Reserve's history, visit FederalReserveEducation.org.]

Today, what the Federal Reserve is best known for is monetary policy, but that wasn't an original role of the institution. New York Fed President Benjamin Strong began conducting open market operations in the 1920s. Many historians blame the Fed's botched monetary policy for the length and severity of the Great Depression. But it was when President Franklin Roosevelt took the nation off the gold standard in 1933 that monetary policy really matured. Now that the nation was explicitly using fiat money for the first time, a formal authority became necessary to ensure that policy would be carried out responsibly. In 1935, Congress created the Federal Open Market Committee, to be the Fed's monetary policy arm.

Like its predecessors, the Federal Reserve has had a sometimes stormy relationship with the executive office and Congress over the years. The federal government took more

control of the Federal Reserve during the Great Depression and World War II, but since 1951—and the resolution of a power struggle with the Treasury Department—the central bank has operated largely independent of the political process. Still, the Federal Reserve regularly reports to Congress and must answer questions and address issues important to the House and the Senate.

End of excerpts from the Federal Reserve Bank of Minneapolis

Where did I originally learn about the banking and money system?

It was 1956 and I was 13 years old. Living on a small dairy farm in the Upper Pennsylvania of Michigan just west of Nadeau, my father, Herbert J LeBeau, who was born in 1905, had lived through the great depression of the 1930's (See the 1978 photo on the left where he played his favorite musical instrument, the violin).

One day while we were milking cows, he told me when and how the great depression started. "Herby" as my mother called him, stated that there were two reasons for the stock market crash of October 1929, and the subsequent depression that followed.

First, Herby stated the Federal Reserve Board raised interest rates in 1929 making it harder for people to borrow money, and secondly, President Hoover tried paying off the national debt. He said that both actions shrunk the money supply leaving a shortage of money available to finance the purchases of consumer goods, services, and property.

He stated: "*Of course paying off the national debt was a noble idea but President Hoover did not understand that this would also create a depression.* "

Learning about the economic slavery system we were living under was a dark cloud. I asked myself then, and again today - more than half a century later - how do we solve this money issue problem?

The basic problem is the debt nature of our money system and the creation and use of credit as money by private corporations. All money we use is borrowed into existence. As loans are repaid, our supply of money shrinks and with it goes our ability to buy products and services that creates job. As a result, unemployment rises proportionally with the shrinking money supply.

"*The nation's prosperity depends entirely on someone borrowing money to replace the loans that are being paid off*" Herbert J LeBeau

He explained it this way: "*Except for coins and a few United States Notes (Greenback Dollars) printed during the Civil War by Abraham Lincoln, the US Government does not print money and spend it into circulation. If the Federal Government financed its deficits by printing money, they would have no need to borrow money from the banks and there would be no national debt.*"

My dad also stated: "*Imagine the entire nation's money supply as air in a balloon that is floating overhead. All the air (money) in the balloon is borrowed and owed back to the bankers. Thus the balloon has a continuous leak. Someone has to pump more air into the balloon to keep the balloon (our supply of money) afloat. Otherwise, the balloon collapses as it runs out of air just like the economy collapses when the supply of money dries up.*"

Herby put it this way:

"The Federal Government's national debt as well as the private debt must grow every year or the economy will slide into a recession or a depression. If the Federal Government tries to balance its budget or pay off the national debt, it will shrink the supply of money and lead to unemployment, a recession and a deflation (decrease) in the price of goods, services and real estate."

He told me that during the great depression, Father Charles Coughlin, a radio priest from Detroit, spoke to millions of Americans every week about the nature of money and the banking system. Fr. Coughlin wanted Congress to end the depression by printing money and to spend it on jobs to reduce unemployment. A bill to do was introduced known in Congress known as the Frazer-Lemke bill. It almost passed the House of Representatives but failed by a few votes. Herby said the depression only ended when President Roosevelt borrowed billions of "dollars" (checkbook money) from the big banks to pay for the Second World War. The bank credit spent to finance the war created millions of new jobs.

Where did the banks get the money to buy government bonds? Answer: they created the money through creative bookkeeping and secret banking regulations

The following explanation of how big banks got "money" to buy billions, now trillions, of dollars worth of government bonds, is based on a logical construction of the facts. What we need now for absolute documentation is a banking insider who turns against their former employer and rats on their inner workings. We need another Ed Snowden who will expose the secret inner workings of the Class A Directors of the 12 Federal Reserve Banks, but especially the Federal Reserve Bank of New York.

Fact One: Banks are the primary holders of U.S. government bonds that they purchase with checks drawn on the bank.

Fact Two: The Federal Government never actually goes to the bank to cash the checks that are used to buy government bonds. The U.S. Treasury simply deposits the checks they receive into the governments account at the Federal Reserve Bank.

Fact Three: The U.S. Government then gets a book entry as a credit to their checking account.

My theory on where the money comes from -

In an amazing feat of ***sleight of hand*** backed by secret banking regulations, the Federal Reserve Bank (usually the New York Federal Reserve Bank) allows private commercial banks to use their purchase of U.S. Bonds as collateral and a substitute for cash to back the checks the banks used to buy the bonds in the first place.

The credits that are applied to the banks checking account at the Federal Reserve Bank acts like an interest free loan to the banks. For this advance of interest free credits, the banks collect billions of dollars in interest from the U.S. government for the bonds they purchased. It is a method to amass obscene amounts of wealth for the Class A Directors of the Federal Reserve Banks and the nation's biggest banks. It also explains why this class of Billionaires get richer while the working class goes deeper in debt.

With these methods of money creation through the use of checks and other credit instruments, the biggest banks on Wall St, that were technically broke during the great Depression of the 1930's, were able to conjure up billions of new found dollars to finance government work programs under the President Roosevelt's "New Deal," and eventually World War II. The big banks got away with this because they wrote the secretive rules as Class A directors of the Federal Reserve Banks.

Where is the cash?

The Wall St. bankers bought bonds and Notes from the U.S. Treasury with fraudulent checks. Had the U.S. Treasury actually presented one of these checks to the bank for payment in cash, the banks would have folded and its directors arrested for writing a check with non sufficient funds (NSF). The Ponzi scheme that allows the Bonds to be used as the equivalent of cash as collateral to back up the check written to purchase the bonds has been hidden from the politicians and the public while the bankers have collected hundreds of billions (eventually Trillions) of dollars in interest from the governments for the use of their checks (promises to pay money).

The Wall St Bankers sleight of hand methods in getting rich by buying government bonds makes Berni Madoff's Ponzi scheme seem like a mere Sunday picnic. While Bernie Madoff ponzi scheme involved 65 billion dollars, the big banks, by comparison, have with their fraudulent methods amassed trillions of dollars of U.S. bonds and securities.

If a farmer could do what the big banks are doing in buying government bonds, the farmer could buy 100 acres of land with a check and then deposit in his bank account the title to the land as collateral to back the check he just wrote. The bank would hold the title and advance into his account the entire cash value of the land (as a bookkeeping entry) he purchased interest-free. When the check arrives to be paid, the bank would debit it from the advance of credits into the farmers account. Meanwhile the farmer gets to use the land indefinitely interest free and without even having to make one monthly payment. Wow, what a deal? Sign me up.

[A farmer could even use this newly found digital money to buy government bonds and collect interest on them, just like the bankers do, except for the fact that the secretive rules of the Federal Reserve do not allow farmers or any non banker into this monopoly game. Fat chance they will allow this to happen - the Federal Reserve only serves bankers and they won't share their secret banking regulations with the general public.]

Bank credit finances wars

The credit borrowed from Wall St bankers in the 1940's to pay for WWII was passed on to future generations. Ditto for the Korean War, the Vietnam War and yes the Iraq War and now the war in Afghanistan. All of these wars were financed with bank credit and an ever-expanding national debt. Unless there is real reform of the money and banking system, the debt will have to increase each year just to keep the economy at its current level of activity. The 17 trillion $ National debt will need to increase by an amount equal to the interest paid on the debt just to keep the economy on an even keel and even more so to create new jobs for a growing population.

Who owns the National Debt?

Is it the investment bankers or is China our primary lender?

It is a media created myth that China owns most of our national debt. China actually owns less than 1/13th of the debt or less than one trillion dollars. The percentage of the national debt owed to China is less than 7% or 1/13th of the total debt and they earned it. Unlike the bankers who produce nothing, China actually sold us real goods. Over 90% of the debt is owed to investment bankers or their trust fund accounts.

When the U.S. Government buys back a bond they previously sold to a bank, the bond is returned to the U.S. Treasury while the funds that paid off the bond is deposited in the member banks account at the Federal Reserve Bank where it is credited to the banks checking account. At the same time, since the bond as collateral is returned to the U.S. Treasury, the member banks's account is debited for the face value of the money that was advanced to the bank when the bond was initially purchased. The net effect is that the credits and debits zero out these numbers at the commercial bank's account at the Federal Reserve. The principal of the bonds value simply ceases to exist when the credit

and debits are applied. The profit made by the commercial bank is the interest they collected on the bond from the U.S. Government and this they get to keep. Did you follow all that?

In plain English, the so-called money the banks used to buy the U.S. bonds never really existed. It is removed the Federal Reserve's own books when the bond is paid off. However, this scheme allows the banks to collect and keep the interest they collected on the bonds they purchased with their fraudulent methods and "checks."

This fraudulent moneymaking operation could be brought to a screeching halt if the Congress demanded that all purchasers of U.S. Bonds and Treasury Notes pay for them only with actual hard cash, and definitely not with checks, even certified checks, cashiers checks, credit cards, electronic funds or other forms of digital "sleight of hand" or "promise to pay" money called "credit." Like the old Wendy's commercial "**where is the beef?**" we have a right to demand "**where is the cash?**" The legitimacy of a substantial portion of the U.S. National Debt can and should be questioned because of these fraudulent practices.

Quotations from famous people on money, banking and credit were excerpted from nworesistance.com

"*If the American people ever allow private banks to control the issue of their money, first by inflation and then by deflation, the banks and corporations that will grow up around them (the banks), will deprive the people of their property until their children will wake up homeless on the continent their fathers conquered.*" -- Thomas Jefferson

"*History records that the money changers have used every form of abuse, intrigue, deceit, and violent means possible to maintain their control over governments by controlling money and its issuance.*" -- James Madison

"*If Congress has the right under the Constitution to issue paper money, it was given them to use themselves, not to be delegated to individuals or corporations.*" -- Andrew Jackson

"*The Government should create, issue, and circulate all the currency and credits needed to satisfy the spending power of the Government and the buying power of consumers. By the adoption of these principles, the taxpayers will be saved immense sums of interest. Money will cease to be master and become the servant of humanity.*" -- Abraham Lincoln

"*I am a most unhappy man. I have unwittingly ruined my country. A great industrial nation is controlled by its system of credit. Our system of credit is concentrated. The growth of the nation, therefore, and all our activities are in the hands of a few men. We have come to be one of the worst ruled, one of the most completely controlled and dominated Governments in the civilized world*" Woodrow Wilson

"The powers of financial capitalism had a far-reaching plan, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country ...Their secret is that they have annexed from governments, monarchies, and republics the power to create the world's money..." Prof. Carroll Quigley, author of "Tragedy & Hope: A History of the World in Our Time"

Quantitative Easing (QE) could have paid off the US National Debt without using one taxpayer dollar

(Ben Bernanke – photo on left)

Quantitative Easing – another point of view.

by Conrad LeBeau.

When the credit markets froze-up in the last days of the Bush administration in 2008, Ben Bernanke, as Chairman of the Federal Reserve Board (FRB), put all options on the table to prevent the economy from sliding into a 1930's style depression. AIG was one of the first Wall St corporations to receive a loan ($120 billion) from the Federal Reserve.

At the time the mass media incorrectly reported that taxpayer money was used, in fact, the Federal Reserve Board created the money it used to bail out AIG. No tax dollars were ever used. Some talking heads on TV claimed that the Federal Reserve Board was "printing money." This is also not true because only Congress authorizes the Bureau of Mint and Engraving to coin and print money.

In 2008, American International Group (AIG) a large and stable insurance company had insured mortgages against default. As the real estate bubble burst and property values began falling, numerous defaults on mortgages became the liability of AIG that had to dole out billions of dollars to banks and mortgage companies that made bad loans.

In 2008, the New York Times reported that AIG's third quarter loss of $5.3 billion as less than its first quarter loss of $7.8 billion. However, in the third quarter, losses spiraled out of control and by the end of 2008, AIG had reported over $99 billion in losses.

In September, 2008, Henry Paulson, then Treasury Secretary under President George Bush said the major financial credit markets had frozen and credit to smaller country banks had stopped flowing. Paulson warned that the entire financial system was teetering on the verge of collapse. This led Congress to approve an immediate $700 billion bailout (loan) to the Wall St bankers.

Even before Congress approved the bailout, the Federal Reserve directly wrote AIG a check for $120 billion that was soon followed by another $30 billion loan. The media has incorrectly reported that this was taxpayer money. It was not. The Federal Reserve Board directed the creation of this digital money by the Federal Reserve Banks.

The Federal Reserve Banks are already empowered to write a check against no funds and then deposit it as money. This creation of money (credit) with a check or with a few keystrokes on the computers of the Federal Reserve Banks was the source of all the credit (bookkeeping entry dollars) that was used to finance the bailouts.

The truth of the matter is that the Federal Reserve Banks created the money, as a bookkeeping entry, and used this to bail out the biggest banks on Wall St that were unable to follow their own rules for staying solvent. It is my belief that the big banks turned a financial crisis into a windfall for themselves when the Federal Reserve Banks advanced credits to the commercial bankers accounts to buy the $700 billion in bonds that were used for the bailout.

Anderson Cooper at CNN asks this question: "Where is all this money coming from?"

The question Anderson Cooper asked more than once as I watched CNN coverage of the financial crisis in 2008 was never answered on cable news. The answer is found in some of the Federal Reserve Banks own publications. The money was simply created with the stroke of a pen by the Federal Reserve Banks.

To quote the Federal Reserve Bank of Boston in the book "Putting It Simply" (1): "***When the Federal Reserve writes a check, it is creating money."*** Unlike commoners like you and me, the Federal Reserve can write a check against no funds, and it circulates as "digital money." Digital money is a bookkeeping entry (numbers called dollars) that is stored in the hard drive of the bank's computers. Today, over 95% of what we use as money is digital or bookkeeping entry money.

When you or I write a check, numbers called "dollars" are transferred from your checking account to someone else's checking or savings account. When a debit card is used, dollars as book entries are transferred from one account to another. Electronic Funds Transfers (EFT) does the same thing. However, when a credit card from a bank is used by a customer, something else also happens, new digital money is created by the borrower (limited only by the reserve requirements of the lending bank). Yes, you and I as borrowers create the money we borrow at the very moment we use a credit card to make a purchase.

Private banks, like the Federal Reserve, also create money out of thin air by lending their credit.

The secret of how privately owned bankers create money is that - they make loans beyond their customer's deposits. These loans beyond customer deposits are covered over with **secretive banking rules** and **tricky accounting** that makes a bank's assets the notes signed by its borrowers while the bank's liabilities are their customer deposits. To make sense of what commercial bankers are doing, we must first examine the two definition of "**money**." The first is legal and the second is based on common usage.

The definitions of "legal tender" money is that it is coined or printed as currency by Congress and made legal tender for the payment of all debts public and private. In a few words, **legal tender is CASH**. Banks do not lend cash; they lend credit usually in the form of checks or other credit instruments. The banks, not the U.S. treasury, are the source of most of the nation's supply of credit. Those who control the banks control the purse strings of the nation.

The second definition of money is "**CREDIT**." Credit circulates as money through monetary instruments including checks, money orders, credit cards, debit cards, electronic funds transfers or direct bookkeeping entries added to a checking or savings account. Checks are assumed to be convertible into cash. Credit is a promise to pay money that circulates as though it were money. More than 90% of the wealth in banks today is not stored in their vaults, but in their computers as bookkeeping entries. The banking system of the United States and most of the western world is based on bookkeeping entries that circulate as money through checks and credit cards.

Secretive banking rules are based on the reserve requirements for banks; this is also known as ***fractional reserve banking***. Reserve requirements are set by the Federal Reserve Banks. Example: If the reserve requirements are 5% this means that for a bank to make a $100 loan with a check it must have $5.00 in cash in its vaults. To make a $10,000 loan it needs 5% of this amount in cash or $500. For a bank, **cash is high-powered money;** cash is money that is used to create more money; the money created by a bank is credit or checkbook money, not "**legal tender**" as in coins or currency.

Because the banking system as a whole does not have sufficient cash to back up all the checks they write, the entire banking system is constantly floating checks and bookkeeping entry credits, and is in a continuous state of insolvency. Prosperity itself depends on governments, corporations or individuals taking out loans to keep the economy afloat. A run on the banks to withdraw all the cash or to cash every customer's check would instantly collapse the entire banking system of the United States and much of the western world including Europe. Some countries that are not part of the world banking system (Russia, Iran, Cuba and North Korea and a few others) would be minimally affected.

Federal Reserve Policy under Ben Bernanke

To stop the U.S and the world economy from crashing into a 1930's style depression, Ben Bernanke asked the Federal Reserve Board to increase the money supply that drove interest rates to near zero. The 7-member Board brought mortgage rates into the 3% range in response to a sluggish real estate market. Bernanke's monetary policies were at odds with many Eastern bankers who could care less about the unemployed as they wanted to hold on to their high interest bearing bonds and keep mortgage interest rates inflated.

These bankers opposed the Federal Reserve policy of quantitative easing because they lost the interest income on the mortgages and U.S. bonds that the Federal Reserve purchased on the open market with their credit instruments. Before Ben Bernanke left

his position as chairman of the Federal Reserve, the Board had purchased about 4 trillion or about 20% of the U.S. Governments national debt. Although derided as quantitative easing (QE) by its critics, the Federal Reserve's purchase of this debt became a de-facto interest free loan to the U.S. Government saving taxpayers hundreds of billons of dollars.

Federal Reserve purchase of bonds equates to interest free loans to the U.S. Government

In Jan 2011, with the Federal Reserve Banks owned over 2 trillion in bonds and securities from the Federal Government, Reuters News Service reported that the Federal Reserve Banks sent the U.S. Treasury $78 Billion dollars in December 2010 that represented the profits on interest the Federal Reserve collected during the previous year. By 2014, with the Federal Reserve owning over $4 trillion in bonds, it will return approximately $150 billion it collects from the US Government (in interest) back to the US Treasury at the end of the year. (This practice first started when John F Kennedy occupied the White House in 1962.)

While the Federal Reserve Board under Bernanke's leadership brought interest rates to near zero, it turned the $4 trillion of U.S. National Debt into an interest free loan, the policy of the Federal Reserve today is the reverse of QE and is appropriately called Quantitative Restricting (QR). Under QR, the Federal Reserve is now selling the 4 trillion in bonds they hold to private bankers who collect the interest, and put it in their pockets. The private bankers do not turn over the interest they collect back to the treasury as the Federal Reserve Banks do each year. These bankers owned bonds with rising interest rates create a rapidly increasing national debt.

In addition, credit card companies, owned by big banks, that include MasterCard, Visa, Discover, and AMEX are joining the higher interest rate feeding frenzy by increasing rates from 14% to 30% on credit cards purchases. With the banking system selecting 6 of 9 directors of each FR Bank, it is a no-brainer that the banks themselves control the monetary policy of the banking system and with it the entire supply of the nation's credit.

In summary, Quantitative Easing (QE) has had many benefits for consumers that include 1. Record low interest rates. 2. Increased purchasing power for consumers, 3. More jobs opportunities for everyone and 4. Stable prices and lower or non-existent inflation. Wall St. Bankers never liked Bernanke's quantitative easing as they made less money with fewer government bonds to buy and on which to collect interest. Low interest rates on consumer loans meant less profits for their lending portfolios.

During the civil war, bankers who printed their own currency under the 2nd National Banking Act came to President Lincoln and asked that he borrow their currency to finance the civil war. He told them: "***We can print this stuff ourselves.***" Lincoln then proceeded to finance the civil war with interest free greenback dollars also called "**United States Notes**" that were issued by the U.S. Treasury.

Conflicts between privately owned banks and Federal Reserve Banks

The largest banks actually view the Federal Reserve Banks as potential competitors. Big Banks don't want the Federal Reserve encroaching on their turf. Commercial bankers get to keep all of their profits on the bonds they purchase from the U.S. government while Federal Reserve banks are required to turn their profits over to the US Treasury each year.

Before the Federal Reserve Act of 1913, many bankers became very wealthy lending credit under the Second National Banking Act The most famous and notorious of these bankers was John D Rockefeller, who under the Second National Banking Act, was able to accumulate ownership of 10% of all the wealth in the United States with his chain of banks (Chase Manhattan et al). With the massive amount of wealth he acquired from his banks, he started the Standard Oil Company among many other enterprises.

Other famous bankers in that era (late 1800s and early 1900s) were J.P. Morgan, Frank Vanderlip, Jacob Schiff, Philip Lehman, Henry Morganthau, Andrew Mellon and many more.

The ten largest banks in America are the following. The figures represent Billions of Dollars in digital credit money (stored as files in the banks computer's hard drives). The figures are for 2009 and they do not show the billions of dollars in U.S. bonds held by bank trust departments that is deliberately kept off public records.

1. Bank of America $835.9 (digital money including 5% or less in cash)
2. JP Morgan Chase $692.1
3. Wells Fargo $680.3
4. Citibank $263.8
5. PNC bank $174.6
6. US Bank $127.8
7. SunTrust Bank $114.3
8. Citizens Bank $95.3

9 Capital One $88.9

10. Regions Bank $86.2

Total values listed above are over 7 Trillion Dollars.

*Ref: thefinancebuff.com For a list of the top 150 banks go to onlinebankingreport.com. **However these figures do not reveal the hundreds of billions of dollars in Government bonds secretly held in bank trust departments. This allows banks to conceal just how must of the U.S. National debt they actually own.**

The following questions and answers are excerpted from citizensreformcenter.com that quotes from several past and present publications of the 12 Federal Reserve Banks.

WHO OWNS THE FEDERAL RESERVE?

"The 12 regional Reserve Banks aren't government institutions but corporations nominally owned by the member commercial banks, who must buy special non-marketable stock in their district Federal Reserve Bank." REF: "**I Bet You Thought**", Federal Reserve Bank of New York, page 21.

"When the Federal Reserve was created, its stock was sold to the member banks. As stockholders, they elect some of the directors of the 12 Federal Reserve Banks. The other directors are appointed by the Federal Reserve Board of Governors. The Federal Reserve Banks and their 20,000 or more employees, who are not under Civil Service."

Ref: "The Hats the Federal Reserve Wears," Fed Res Bank of Philadelphia, page 14.

WHO CONTROLS THE ECONOMY?

"The Federal Open Market Committee [FOMC] is the most important monetary policy-making body of the Federal Reserve System. It is responsible for the formulation of policy designed to promote economic growth, full employment, stable prices, and a balance in international trade and payments."

Ref: "The Federal Open Market Committee", Board of Governors of the Federal Reserve System, page 2.

DOES THE US GOVERNMENT DETERMINE THE AMOUNT OF MONEY IN CIRCULATION?

"The Bureau of Engraving and Printing in Washington, D.C., a unit of the Treasury, is responsible for printing the nation's currency. But its order to print comes from the 12 Federal Reserve Banks, not the President or Congress. The Federal Reserve, not the Treasury, determines how much currency is printed, based mainly on estimates of commercial banks and public cash demands. Under this arrangement, the government can't print more Federal Reserve notes to pay its bills or debts. Since most U.S. money is checkbook money, the printing presses have little to do with the buying power of money."

Ref; "I Bet You Thought", Federal Reserve Bank of New York, page 12.

DOES THE FEDERAL RESERVE CREATE MONEY?

"Put another way, when the Federal Reserve buys government securities, it is by the mere stroke of a pen putting new money into the banking system, money which itself can

lead to the creation of even more new money. When the Federal Reserve writes a check, it is creating money."

Ref: "Putting It Simply", Federal Reserve Bank of Boston, page 17.

DO THE COMMERCIAL BANKS CREATE MONEY IN THE FORM OF LOANS?

"One institution, the commercial bank, creates new money, checkbook money, when it lends to producers and workers borrowing (money) from commercial banks. The banks put this new money into circulation."

Ref: "The Story of Money", Federal Reserve Bank of New York, page 4.

DO BANKS CAUSE RECESSIONS?

"But bank credit isn't a one way street. It adds to our money supply, to be sure, but our money supply declines as bank credit is repaid. Banks, then, can "destroy" or "extinguish" money as well as create it."

Ref: "Money: Master or Servant?", Federal Reserve Bank of New York, page 15.

CAN THE FEDERAL RESERVE SHRINK THE MONEY SUPPLY AND CAUSE A RECESSION?

"Just as purchases of government securities by the Federal Reserve System can provide the basis for deposit expansion by adding to bank reserves, sales of securities by the Federal Reserve System reduce the money stock by absorbing bank Reserves. The process is essentially the reverse of the expansion steps just described."

Ref: "Modern Money Mechanics", Federal Reserve Bank of Chicago, page 12

DO PRIVATE BANKS CREATE MONEY?

"Commercial banks, however, lend in a different way. They create new checkbook dollars and add them to a borrower's checking account. Because commercial banks create almost all new dollars, they play a special role in our financial system."

Ref: "The Story of Banks", Federal Reserve Bank of New York, page 4.

HOW DOES THE SELLING OF GOVERNMENT SECURITIES DECREASE THE MONEY SUPPLY?

"When the Federal Reserve sells securities, the supply of lendable money is decreased. When the Federal Reserve sells a government security, the check paying for it is

deducted from the account of the commercial bank on which it is drawn, but it is not deposited to the account of another commercial bank."

Ref: "Putting It Simply", Federal Reserve Bank of Boston, pages 16 and 17.

DOES THE GOVERNMENT OR THE COMMERCIAL BANKS CREATE MONEY?

"The actual process of money creation takes place primarily in banks. As noted earlier, checkable liabilities of banks are money. These liabilities are customers' accounts. They increase when customers deposit currency and checks and when the proceeds of loans made by the banks are credited to borrowers' accounts."

Ref: "Modern Money Mechanics", Federal Reserve Bank of Chicago, Page 3.

WHEN A BANK MAKES A LOAN FOR $9,000. IS THAT NEWLY CREATED MONEY?

"When the Banks makes a $9,000 loan the Banks accept the promissory note(s) of the borrower in exchange for credits to the borrower's transaction accounts (demand deposit). Bank Loans (assets) and deposits (liabilities) both rise by $9,000. But the deposit credits constitute new additions to the total deposits of the banking system."

Ref: "Modern Money Mechanics", Federal Reserve Bank of Chicago, Page 6.

Banking 101 - the unique nature of money

Paper money and credit instruments have no intrinsic value and are not a commodity as is gold, silver, copper and nickel. Today, only coins have an intrinsic commodity value along with a lawful value for the payment of debts, public and private. Paper money, authorized by a government, is a numerical measure of value and is authorized (legal tender) to pay all debts. Public and private, and to purchase goods and services.

An excellent article on the history of money is found on wikipedia.org. The article discusses the historical use of barter which predates paper and bookkeeping money by thousands of years. Unlike today's digital, bookkeeping, electronic funds, plastic credit cards, checkbook and paper money, barter items, like coins, also had intrinsic value.

Historically, items used for barter had an intrinsic value and were used for several thousand years as a medium of exchange. These items consisted of food, clothes and tools. Grain and other valuables including agricultural tools were used as an early form of money for several centuries BC in Greece and in Egypt where grain was stored in state

granaries'. A farmer could pay a laborer with so many pounds of grain.

Labor can also be bartered and is still is use today a tax-free exchange. E.G. A carpenter offers so many hours of work to someone who in exchange offers his or her skills as an electrician, plumber or other service for a given period of time.

For several thousand years, due to its intrinsic value, gold and silver evolved as a favored form of money. At the birth of Christ, the three Kings brought gifts that along with myrrh and frankincense also included gold coins. Before they crucified him, Christ drove the Moneychangers from the temple. The term "Moneychangers" today is sometimes used to refer to Wall St Bankers.

Banking Reform proposals

1. **Congress to mandate that the Federal Reserve Banks purchase the US Government's entire National debt** - all 21 trillion dollar worth in increments of $500 billion per month at an annual interest rate of zero percent (0%) until the Federal Reserve Banks owns the entire debt. The complete purchase of the national debt would take about 4 years to complete. This would reduce the total interest paid on the national debt from over 1o trillion to zero. This will save American taxpayers trillion of dollars in interest rates over the next several years. It will help usher in an era of a debt free America and an end to economic slavery.

Minting Platinum Coins. An alternative plan is for the U.S. President to order his Treasury Secretary to mint 30 of 40 platinum coins with a legal tender value of 1 trillion dollars each and deposit them in the government's account at the Federal Reserve, and to use this "money" to buy out the entre national debt. Secondly, to amend the U.S. Constitution, and to permanently limit the power of Congress to borrow money, (on the cred of the United States), to 100 billion dollars.

2. **Stop the sale of US currency (Federal Reserve Notes) to the Federal Reserve Banks for the cost of printing.** To introduce or increase the supply of coins and currency in circulation, the US Government will establish a depository checking account at each of the 12 Federal Reserve Banks. When any of the 12 Federal Reserve Banks request coins or currency from the US Treasury, the US Government will print the amount of currency and coins they need and deposit it in the Governments checking account at each of the Federal Reserve Banks. As a result, the US Governments supply of checkbook money will increase by an amount equal to the amount of currency and coins deposited in the Federal Reserve Banks. The shameful era of selling currency to the Federal Reserve for the cost of printing must immediately end.

An alternative plan is to require the FR banks to write a check for the face value of the

amount of currency or coins they wish to purchase from the Bureau of Mint and Engraving.

3. **Introducing Credit Card competition**: Congress shall enact legislation requiring the Federal Reserve Banks to offer low interest rate credit cards to credit worthy American consumers through local banks and credit unions at an annual interest rate not to exceed 3% per year. This could easily save American consumers over 100 billion dollars a year as they now pay up to 30% annual interest rates on the credit cards available under the existing monopolies of MC/VISA/DIS and AMX.

4. **Bank creation of checkbook money limited to the 12 Federal Reserve banks only.** Congress to mandate that only the 12 Federal Reserve Banks will be the originating source for creating and lending credit or checkbook money. No other privately owned bank or lending institution will be allowed to make loans beyond their customer's deposits.

5. **Federal Reserve Bank to offer lines of credit at low interest rates to member banks and Credit Unions**. All member banks of the Federal Reserve System and all Credit Unions would be able to open a checking account at the Federal Reserve Bank and borrow either cash or a line of credit for terms up to 30 years at an annual interest rate not to exceed 1% per annum and to re-lend the same to the public or local governments at the following rates:

For first time home buyers and for student loans, the interest rate shall not exceed 3% per annum; for a second home or vacation home, the interest rate shall not exceed 5% per annum; 3% for small business expansion loans; interest rates not to exceed 3.% per annum for new energy efficient cars that give 40 mpg or more; 5% for used car loans; 6% for cars that give less than 30 mpg; 3% loans for clean energy including wind power, solar and geothermal; insulating and weatherizing home improvement loans; and 3% loans for farmers to convert to organic farming; 3% loans for state and municipal bonds. The Federal Reserve Board will set the interest rate for all other types of loans. The maximum rate will be 6% for all other types of loans.

By keeping interest rates low, the economy will have sufficient money for commerce. By controlling the amount of credit and cash made available, neither deflation nor inflation should be a problem.

6. Federal Reserve Board powers to expand or restrict credit to control both inflation and deflation. When inflation exceeds 3% per annum, the Federal Reserve Board may increase the reserve requirements of the banks or restrict the amount of lines of credit and cash made available to each member or participating institution. When deflation exists or the unemployment rate exceeds 6%, the Federal Reserve Board shall reduce the reserve requirements of the banks and/or increase the amount of lines of credit and cash available to all lending institutions.

Auditing the Federal Reserve has been accomplished by recent legislation. It was because of an audit that Senator Rand Paul of Kentucky found out about trillions of dollars in loans to foreign banks made by the Federal Reserve.

Since the Federal Reserve now owns more of the US National Debt than China (China owns 1.2 Trillion), is it not time to let the Federal Reserve Banks buy out the entire National Debt? The net effect that results from the Federal Reserve turning over to the Treasury all its annual profits is to reduce the interest paid on the debt to zero dollars.

At a rate of $500 billion dollars per month, it would take the Federal Reserve Banks about 4 or 5 years to purchase and own all the National Debt. Since any attempt to pay off the National Debt will shrink the money supply and create a national depression, Congress should mandate that no interest rate greater than one-half of one percent shall be paid on any government bond or security including 30 year bonds.

See my other proposals at Keep Hope Alive Forum or at lebeaubooks.com for the government to use its power to create an honest and equitable money system.

Support your local Credit Union as an alternative to the big banks

Credit Unions are licensed under State law and are usually non-profit organizations. Rather than continue to do business with big banks owned by wealthy billionaires on Wall St, it is better to deposit money, borrow money as well as obtain credit and debit cards from your local credit union. Why do business with those who do not have your best interest at heart? Why do we help to make the rich richer by using their money and services? Where possible, use barter, trade and interest free exchanges of values.

Note: if a small bank is locally owned and not part of big conglomerate, then I see no reason to abandon them. The worst abuses of power cited in this article concerning the creation of money involves about 150 to 200 of the nations biggest banks.

An area for further research is to find out where to locate who gives money and how much to elect your Congressman or Senator. It is necessary to follow the money trail and not be brainwashed and misled by slick campaign ads.

This Special Report is available at Keep Hope Alive PO Box 270041 West Allis WI 53227 414-231-9817 and also at lebeaubooks.com

Help us wake up America. Refer this website and article to a friend. Thank you!