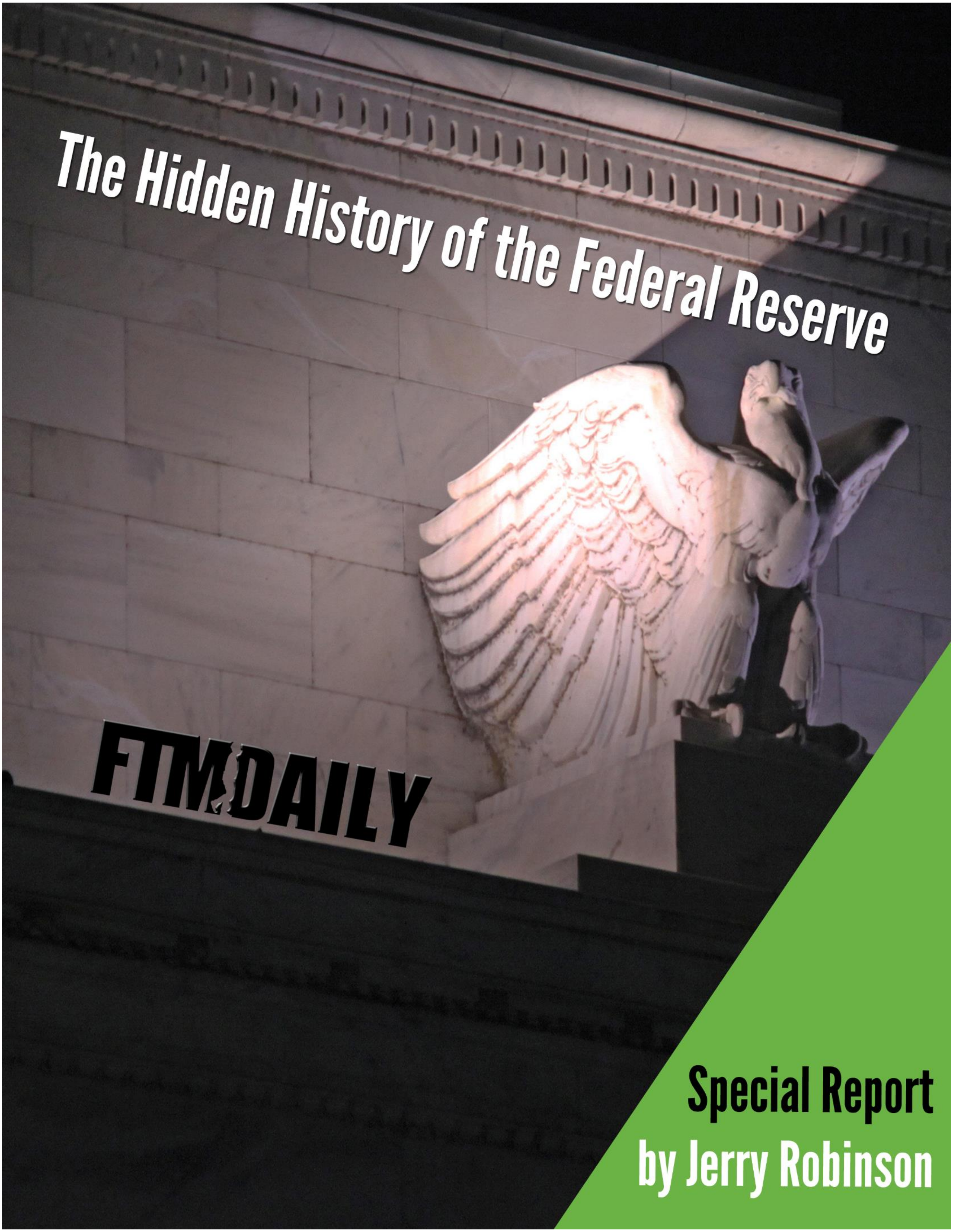

The Hidden History of the Federal Reserve

FTMDAILY

Special Report

by Jerry Robinson

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"FROM THE GREAT DEPRESSION, TO THE STAGFLATION OF THE SEVENTIES, TO THE BURST OF THE DOTCOM BUBBLE IN 2001, EVERY ECONOMIC DOWNTURN SUFFERED BY THE COUNTRY OVER THE LAST 80 YEARS CAN BE TRACED TO FEDERAL RESERVE POLICY."[1]

— U.S. CONGRESSMAN RON PAUL

FACT: FEW AMERICANS TRULY UNDERSTAND THE COMPLEXITIES INVOLVED WITH CENTRAL BANKING.

Throughout modern history, the fate of many peoples has come through an ignorance of the collective national concept of money. More recently, due to the extreme leverage employed by the world's central banks, it has become possible for an entire nation's savings to be wiped out… and all due to a monetary policy mistake. However, those who comprehend the nation's central banking scheme are far better equipped to preserve their savings. Preserving wealth and protecting purchasing power in today's world is a constant challenge amid inflation, taxes, technological advancements, and many other eroding factors. But it is the actions of the central bank – and often the public treasury – that determine the stability and soundness of a nation's currency.

In this brief document, you will learn the devastating effects that central banking has had upon the United States, and its national wealth. But America is not unique in this economic plunder, as private international banking interests have long sought to collude with governments in an effort to gain the privilege of controlling the issuance of the nation's currency. Historically, this hybrid system of government <u>and</u> the international banking cartel has followed a predictable pattern. Unfortunately, the historical pattern that this modern system of banker-politico governance is following eventually leads to a widespread devaluation of a nation's currency system.

Let me be clear: The modern government-banking alliances, known as central banks, are unsustainable. Their existence ultimately leads to the destruction of a nation's wealth — leading to the bankruptcy of the nation itself.

In the following pages I will lead you on a journey through America's history of central banking. The details – which are often sordid – serve as an interesting backdrop, and provide important context to, our modern struggle with the Federal Reserve.

And now, it's time to "follow the money" throughout America's history of central banking.

THE HIDDEN HISTORY OF THE FEDERAL RESERVE

On December 23, 1913, President Woodrow Wilson signed into law the Federal Reserve Act. With the stroke of a pen, Wilson created a government-endorsed banking cartel — otherwise known as a central bank. During the 18th century, America had experimented with the central banking concept. But these prior attempts by the international "banksters" would pale in comparison to the total monetary control that Wilson would grant to the Federal Reserve a century later.

In this section we will venture into the history of the Federal Reserve and witness the financial carnage inflicted on our nation through the marriage of government and banking. As we will see, its effect upon America's collective wealth has been devastating.

DECEMBER 24, 1913–SIXTEEN PAGES. PRICE TWO CENTS

PRESIDENT'S SIGNATURE ENACTS CURRENCY LAW

Wilson Declares It the First of Series of Constructive Acts to Aid Business.

Makes Speech to Group of Democratic Leaders.

Conference Report Adopted in Senate by Vote of 43 to 25.

Banks All Over the Country Hasten to Enter Federal Reserve System.

Gov-Elect Walsh Calls Passage of Bill A Fine Christmas Present.

WILSON SEES DAWN OF NEW ERA IN BUSINESS

Aims to Make Prosperity Free to Have Unimpeded Momentum.

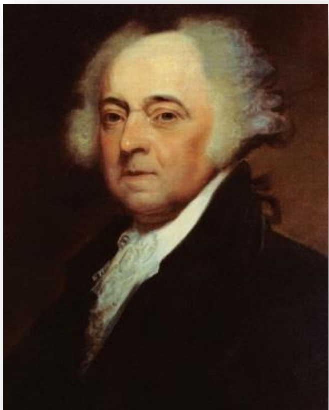
HOME VIEWS OF CURRENCY ACT

FOUR PENS USED BY PRESIDENT

Despite the vast economic control wielded by the Federal Reserve over consumers, most Americans are not aware of the true purpose of the institution — let alone its sordid history. It is my hope that this brief report will help you understand America's attempts at central banking and *why it matters to you and your finances.* Some readers who have an intimate knowledge of the Federal Reserve may already know much of what is written here. Others, however, will learn more than they may expect. My ultimate goal is to expose the fatal flaws in America's central banking system and reveal how the corruption of sound monetary principles in our nation's banking sector has greatly contributed to financial excess.

The truth is that America's economic growth and prosperity has been made possible solely by debt.

The corrupt policies of the American federal government, along with those of the Federal Reserve Bank, have turned our once vibrant economy, based upon free market principles, into a zombie, debt-based economy that requires increasing debt in order to survive. Together, the government and the Federal Reserve have plundered our nation's wealth and have replaced it with IOU's. Put simply, Americans have been shepherded to the cliff of bankruptcy by the very individuals entrusted with our nation's economic protection.



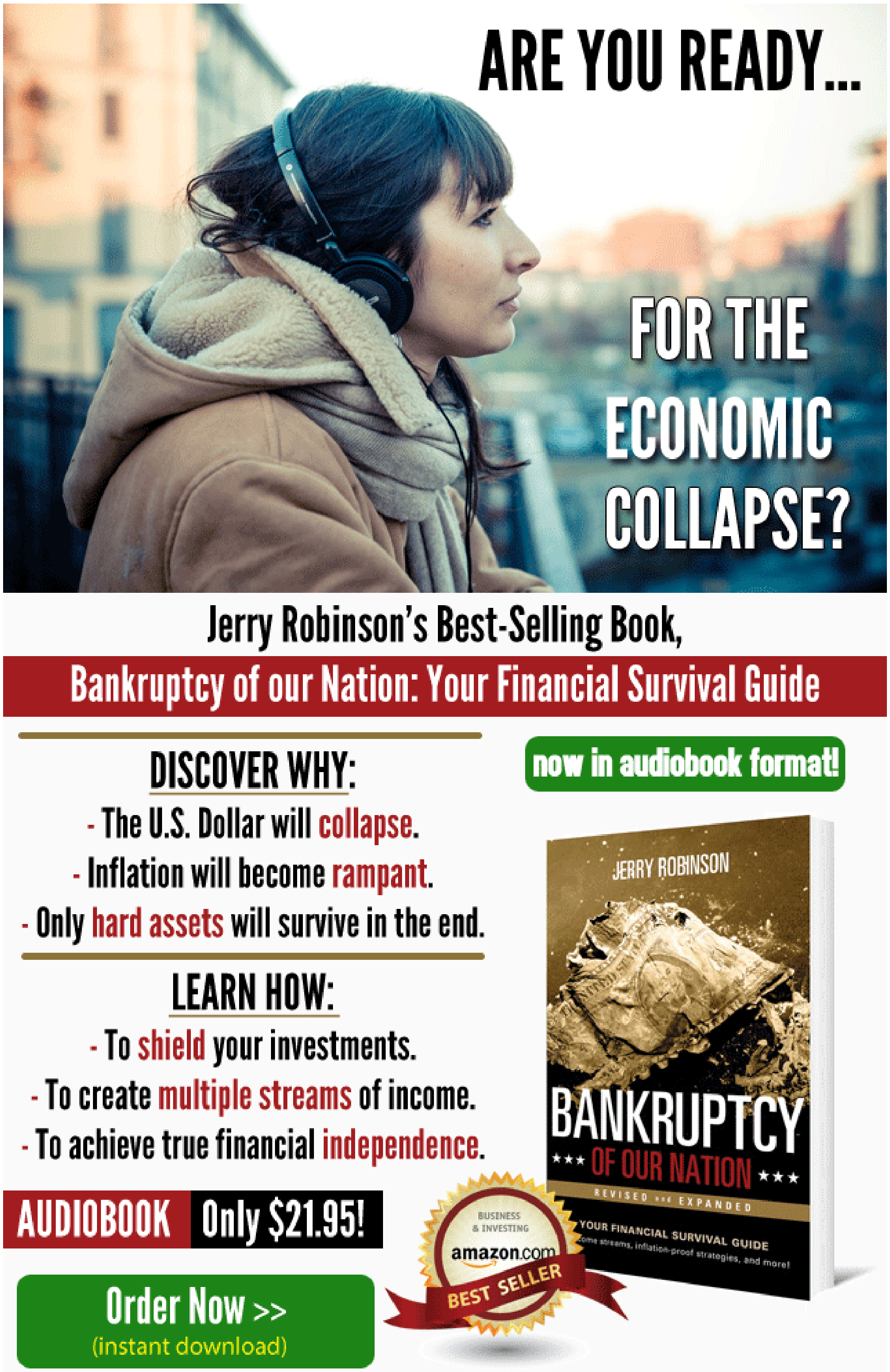
ALL THE PERPLEXITIES, CONFUSIONS, AND DISTRESSES IN AMERICA ARISE, NOT FROM DEFECTS IN THEIR CONSTITUTION OR CONFEDERATION, NOT FROM A WANT OF HONOR OR VIRTUE, SO MUCH AS FROM DOWNRIGHT IGNORANCE OF THE NATURE OF COIN, CREDIT, AND CIRCULATION.[2]

— JOHN ADAMS

THE REAL REASONS FOR THE REVOLUTIONARY WAR

Since grade school, we have been taught that one of the primary reasons America's founding fathers fled their British homeland in search of the New World was to escape religious persecution. While there is some truth to this story, there was another more important reason behind the mass exodus to America. This reason had less to do with religion and more to do with money.

The British Empire's rigid rule over its numerous colonies around the world is well-documented in history books. The thirteen colonies birthed in America were no exception, as they were subject to many of the same rules as other British colonies of their day. The Americans, however, sought to overthrow their British oppressors who they felt



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stifled their economic freedoms. While the British Crown could hardly impose strict religious adherence to their subjects across the Atlantic Ocean, they could exact taxes from the burgeoning American colonies.

Until the mid-18th century, early American settlers were predominantly faithful to the wishes of Great Britain. This was true despite the fact that America's diverse religious beliefs often conflicted with the theology espoused by the Church of England. Early colonial America experienced great prosperity with massive exports of rum and tobacco. Their dependence upon free slave labor from Africa allowed the early Americans to maximize their profits. With virtually no income taxes and relatively little unemployment, America was economically well positioned. During this era, the American colonies began creating and using their own form of paper money. Unlike Britain, however, America's paper money was not being issued by central bankers for obscene profits. Regarding this golden economic era in early America, Benjamin Franklin wrote: *"There was abundance in the Colonies, and peace was reigning on every border. It was difficult, and even impossible, to find a happier and more prosperous nation on all the surface of the globe. Comfort was prevailing in every home. The people, in general, kept the highest moral standards, and education was widely spread."* [3]

On a later diplomatic trip to England in 1763, Franklin witnessed the squalid conditions of England. Franklin claimed that the streets of London were *"covered with beggars and tramps."* Upon further investigation, Franklin discovered that England was suffering from massive unemployment due to an exorbitantly high tax burden upon its citizens. England was suffering from the high costs of the Seven Years War and had little money left over to provide aid to the poor. British officials, who were acutely aware of America's growing economic prosperity, quizzed Franklin about the financial structure of America's economy. Franklin replied, *"That is simple. In the Colonies, we issue our own paper money. It is called Colonial Scrip. We issue it in proper proportion to make the goods pass easily from the producers to the consumers. In this manner, creating ourselves our own paper money, we control its purchasing power, and we have no interest to pay to no one."* [4]

(1771) Two Pound Colonial Scrip

Britain, who was suffering from a skyrocketing national debt, sought to outlaw America's Colonial Scrip and replace it with money issued by the Bank of England. This came in the form of the Currency Act of 1764. Within a year, according to Franklin, America's streets began to resemble London's, as America's money supply plummeted and unemployment rose dramatically. As Britain's economy continued to suffer, more taxes were placed upon commercial activity within the American colonies. These taxes included the Sugar Act, the Stamp Act, the Townshend Acts, and the infamous Tea Act, which ultimately led to the Boston Tea Party. America had little incentive to pay these taxes, as they no longer needed British military protection after France and Spain were defeated in the French and Indian War. As America grew more economically defiant, Britain passed the Intolerable Acts, which further damaged the fragile relationship between the two nations. To justify the taxes upon the American colonies, the British explained that America should rightly help shoulder the economic burden of keeping the new country in the Empire. America, however, defied Britain's attempts to confiscate its wealth through heavy taxes with the cry of "taxation without representation." Finally, after much deliberation, the tensions between the two nations sparked the American Revolutionary War. The Americans succeeded in gaining independence from the British "tyranny" that they so greatly despised.

Or so they thought…

ALEXANDER HAMILTON'S CENTRAL BANKING SCHEME

Having escaped the economically diseased European continent, which had become dominated by destructive central bankers, America's founding fathers knew the importance of laying a sound economic foundation for their new nation. It did not take long, however, for the central banking community to come knocking at America's door.

The First Bank of the United States, a proposed central bank similar to the one in England, came at the suggestion of Alexander Hamilton in 1790, who argued for a strong centralized government. With England's economic machinations fresh in the minds of the American public, Hamilton's idea for a central bank quickly found numerous opponents. Few Americans were in the mood for a new private banking cartel that would loan newly printed money to the U.S. government at interest. Many early Americans were intimately aware of the dangers and potential devastation that these central banking systems could have upon their new nation. One such opponent was U.S. Secretary of State Thomas Jefferson.

The First Bank of the United States (1791-1811) still stands today in Philadelphia.

Jefferson, who also authored the Declaration of Independence, believed that a central bank, such as the proposed First Bank of the United States, was clearly forbidden by the Constitution. According to the U.S. Constitution, the creation and issuance of the nation's currency was the sole privilege of the government. In defense of his argument, Jefferson wrote: *"I believe that banking institutions are more dangerous to our liberties than standing armies. . . . If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around them will deprive the people of all property until their children wake up homeless on the continent their fathers conquered. . . . The issuing power should be taken from the banks and restored to the people, to whom it properly belongs."* [5]

Jefferson's quote is not prophetic. He was not predicting what he thought might happen. Instead, he was speaking from a wealth of experience. Jefferson was intimately aware of the failed history of central banking schemes. And he passionately warned of their effects upon a nation: *"first by inflation, then by deflation…"*

This, in fact, is precisely how central banks manipulate the economies upon which they leach. First, they encourage borrowing by creating "cheap" money through a reduction in interest rates, which increases the overall money supply. Then, the central bank raises interest rates, leading to credit defaults, foreclosures, and bankruptcies. This allows the bankers to purchase properties, businesses, and smaller banks for "pennies on the dollar." *Sound familiar?*

Opponents of the proposed First Bank feverishly pointed to the Constitution in an effort to prevent private central banks from gaining control over their own government's monetary activities. Constitutional support for this opposition is taken from Article I, Section VIII of the Constitution where it states that the U.S. federal government is authorized *"…to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures."*

But while the Constitution may not give express permission to print paper money, Hamilton reasoned, it certainly did not restrict it.

IS THE U.S. DOLLAR UNCONSTITUTIONAL?

Even a casual reading of the U.S. Constitution demonstrates that the Congress is only authorized to create coins with fixed "weights and measures" — not paper money. For this reason, some today believe that the fiat U.S. paper dollar is expressly forbidden by the U.S. Constitution!

And while the constitution does permit the congress to coin money, it does not give them permission to outsource this responsibility to an outside institution. According to some, this means that the Federal Reserve Bank is an unconstitutional institution — despite being passed into law by Congress!

(For more, see U.S. Supreme Court case, Lewis v. United states, 680 f.2d 1239 (1982))

Despite vehement opposition to the First Bank of the United States, President George Washington signed the First Bank of the United States into law on April 25, 1791, along with a 20-year charter, set to expire in 1811. During its first five years of operation, the American government borrowed more than $8 million from the First Bank and prices rose by an average of 72 percent.[6] Just two years prior to the passage of the First Bank, President Washington had warned his countrymen: *"No generation has a right to contract debts greater than can be paid off during the course of its existence."*

Jefferson would later lament in 1798, *"I wish it were possible to obtain a single amendment to our Constitution — taking from the federal government their power of borrowing."*[7]

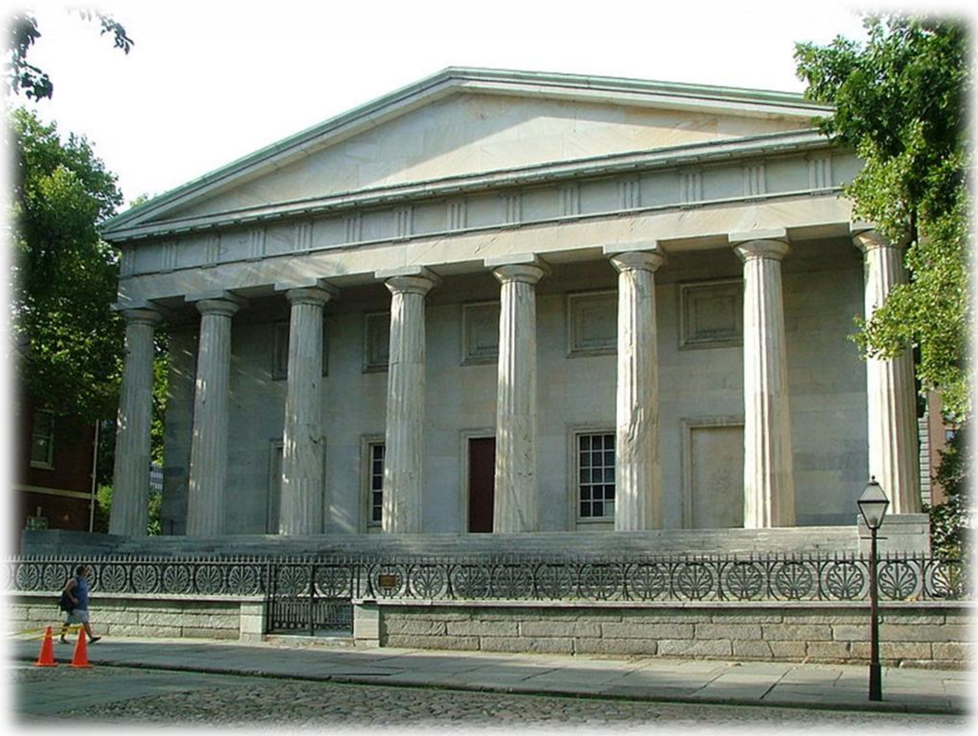
Nathan Mayer Rothschild played an important role in America's early central banking efforts. (1777-1836)

As the 20-year charter for the First Bank came up for renewal in 1811, Congress began debating whether to renew the First Bank's charter for another 20 years, or to let it expire. After it was discovered that 70 percent of the First Bank's ownership was held by foreigners — namely England — pressure to allow the bank's charter to lapse became overwhelmingly strong. Nathan Rothschild, a powerful European central banker, was one foreign banker who had a strong, vested interest in the continuation of the First Bank of the United States. Gustavus Myers, in his 1936 book entitled *The History of the Great American Fortunes*, further confirms the Rothschild connection to the First Bank when he wrote: *"Under the surface, the Rothschilds long had a powerful influence in dictating American financial laws. The law records show that they were the power of the old Bank of the United States."*

It is reported that Rothschild — eager for the renewal of the First Bank charter — issued a bold threat to the U.S. Congress: *"Either the application for renewal of the charter is granted, or the United States will find itself involved in a most disastrous war."* [8] But on March 3, 1811, after the bank's 20-year charter had expired, the Congress voted against renewing it.

In the following year, mounting conflicts between the British and the United States led to the War of 1812. The British war efforts were funded by none other than the Rothschild family. *(The Rothschilds long had a powerful influence in dictating American financial laws. The law records show that they were the power in the old Bank of the United States. See Gustavus Myers, History of the Great American Fortunes, Random House, p. 556.)*

Four years later, in the wake of the war, the United States was crippled by inflation and rising unemployment. Not surprisingly, the money-hungry Congress moved to charter the Second Bank of the United States.



Like the First Bank, the Second Bank of the United States (1816-1836) still stands today in Philadelphia.

This second attempt at a U.S. central bank occurred under the administration of President James Madison. Despite being deeply opposed to the idea of private central banking, Madison had little choice but to support the creation of the Second Bank of the United States in the face of high inflation and economic instability. The Second Bank included the same mandates as the First Bank: to issue currency and purchase government debt. The new Bank's charter was set for 20 years and would expire in 1836.

Similar to the First Bank, 80 percent of the Second Bank was privately owned by banks. One-third of these banks were foreign. True to form, the Second Bank quickly led the United States back into massive inflation. Within the first 18 months, the Bank had injected nearly $20 million into the U.S. money supply. As prices soared due to the increase in money supply, inflationary pressures began to harm American commerce. The bank reacted by cutting the money supply in half — from over $20 million to just $11.5 million.[9] This manipulation of the money supply rocked the economy. This would be the first of many infamous "boom and bust" cycles brought on by the central bank.

As the central banking scheme continued, Americans became wise to the Second Bank's attempts to loot the nation of its hard-earned wealth through crafty monetary policies that encouraged inflationary periods followed by deflationary periods.

President Madison, aware of the pitfalls of the Second Bank, warned: *"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 the money and its issuance."*[10]

ANDREW JACKSON - "I KILLED THE BANK"

In 1828, twelve years after the inception of the Second Bank of the United States, Andrew Jackson was elected president. President Jackson came into office with one mission: *to kill the Second Bank of the United States.* However, the bank's charter would not be up for renewal until 1836 — another eight years. To accomplish his goal would require Jackson to win a second term in office. During his first term, he fired nearly 20 percent of the employees of the federal government — many who had ties to the Second Bank.

In 1832, with his re-election approaching, the bank struck an early blow, hoping that Jackson would not want to stir up controversy. They asked Congress to pass their renewal bill four years early.[11]

Jackson swiftly vetoed the bill and stated: *"It is not our own citizens only who are to receive the bounty of our government. More than eight million of the stock of this bank are held by foreigners… Is there no danger to our liberty* *and independence in a bank that in its nature has so little to bind it to our country? Controlling our currency, receiving our public moneys, and holding thousands of our citizens in dependence… would be more formidable and dangerous than a military power of the enemy."*[12]

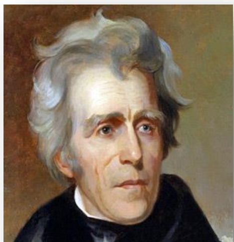
In Jackson's lengthy veto message, he explained why the Second Bank of the United States should be abolished. Jackson's reasons included the following:

- ✓ It concentrated the nation's financial strength in a single institution.
- ✓ It exposed the government to control by foreign interests.
- ✓ It served mainly to make the rich richer.
- ✓ It exercised too much control over members of Congress.
- ✓ It favored northeastern states over southern and western states.[13]

After his successful 1832 re-election bid against his opponent, Henry Clay (*who received $3 million in campaign contributions from the banks*), Jackson continued his tireless campaign to permanently dissolve the Second Bank. He began by removing funds from the Second Bank to render it ineffective. These actions provoked strong opposition from the bankers. The president of the Second Bank, Nicholas Biddle, lashed out at President Jackson, saying, "*This worthy President thinks that because he has scalped Indians and imprisoned judges, he is to have his way with the bank. He is mistaken."*[14]

Jackson responded: *"Gentlemen, I have had men watching you for a long time and I am convinced that you have used the funds of the bank to speculate in the breadstuffs of the country. When you won, you divided the profits amongst you, and when you lost, you charged it to the bank. You tell me that if I take the deposits from the bank and annul its charter I shall ruin ten thousand families. That may be true, gentlemen, but that is your sin! Should I let you go on you will ruin fifty thousand families, and that would be my sin! You are a den of vipers and thieves. I have determined to rout you out, and by the Eternal God, I will rout you out!"*[15]

Jackson's courageous and controversial act of pulling funds from the government-controlled banking cartel, known as the Second Bank of the United States, led to the final demise of the central bank. When later asked what his greatest accomplishment had been during his two terms as president, Andrew Jackson confidently replied, *"I killed the bank."* He would later order that this phrase be engraved on his tombstone.[16]

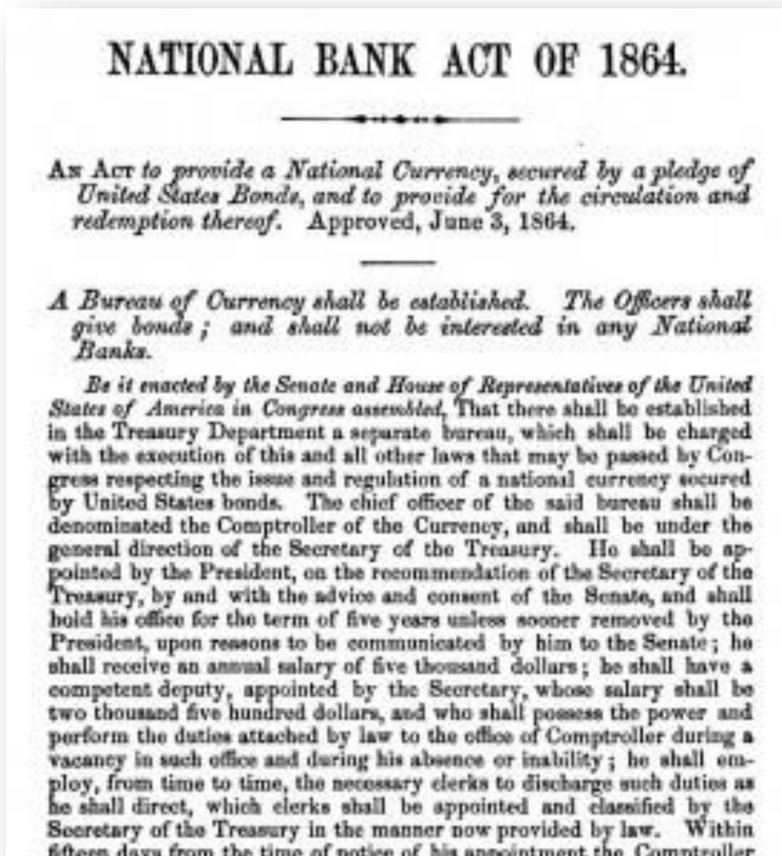


DID YOU KNOW?

ON JANUARY 8, 1835, PRESIDENT ANDREW JACKSON BECAME THE FIRST — AND ONLY — PRESIDENT TO EVER PAY OFF THE U.S. NATIONAL DEBT.

THE NATIONAL BANKING ACT

After the death of the Second Bank of the United States, America soon began experimenting with various types of monetary systems. The period from 1837 to 1862 was known as the Free Bank Era. While the central bankers were still at bay, their influence was ever present in America's political system — and was threatening to creep back in.



NATIONAL BANK ACT OF 1864.

AN ACT *to provide a National Currency, secured by a pledge of United States Bonds, and to provide for the circulation and redemption thereof.* Approved, June 3, 1864.

A Bureau of Currency shall be established. The Officers shall give bonds; and shall not be interested in any National Banks.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there shall be established in the Treasury Department a separate bureau, which shall be charged with the execution of this and all other laws that may be passed by Congress respecting the issue and regulation of a national currency secured by United States bonds. The chief officer of the said bureau shall be denominated the Comptroller of the Currency, and shall be under the general direction of the Secretary of the Treasury. He shall be appointed by the President, on the recommendation of the Secretary of the Treasury, by and with the advice and consent of the Senate, and shall hold his office for the term of five years unless sooner removed by the President, upon reasons to be communicated by him to the Senate; he shall receive an annual salary of five thousand dollars; he shall have a competent deputy, appointed by the Secretary, whose salary shall be two thousand five hundred dollars, and who shall possess the power and perform the duties attached by law to the office of Comptroller during a vacancy in such office and during his absence or inability; he shall employ, from time to time, the necessary clerks to discharge such duties as he shall direct, which clerks shall be appointed and classified by the Secretary of the Treasury in the manner now provided by law. Within fifteen days from the time of notice of his appointment the Comptroller

As America entered the 1860s, the nation's economy was fractured, and the political climate between the North and the South reached a boiling point. Eleven Southern slave states declared their secession from the United States to form the Confederate States of America in 1861. On April 12, the Confederates led an attack upon a U.S. military installation in Fort Sumter, South Carolina. Thus, the first shots had been fired on what would become known as the American Civil War — the deadliest war in American history.

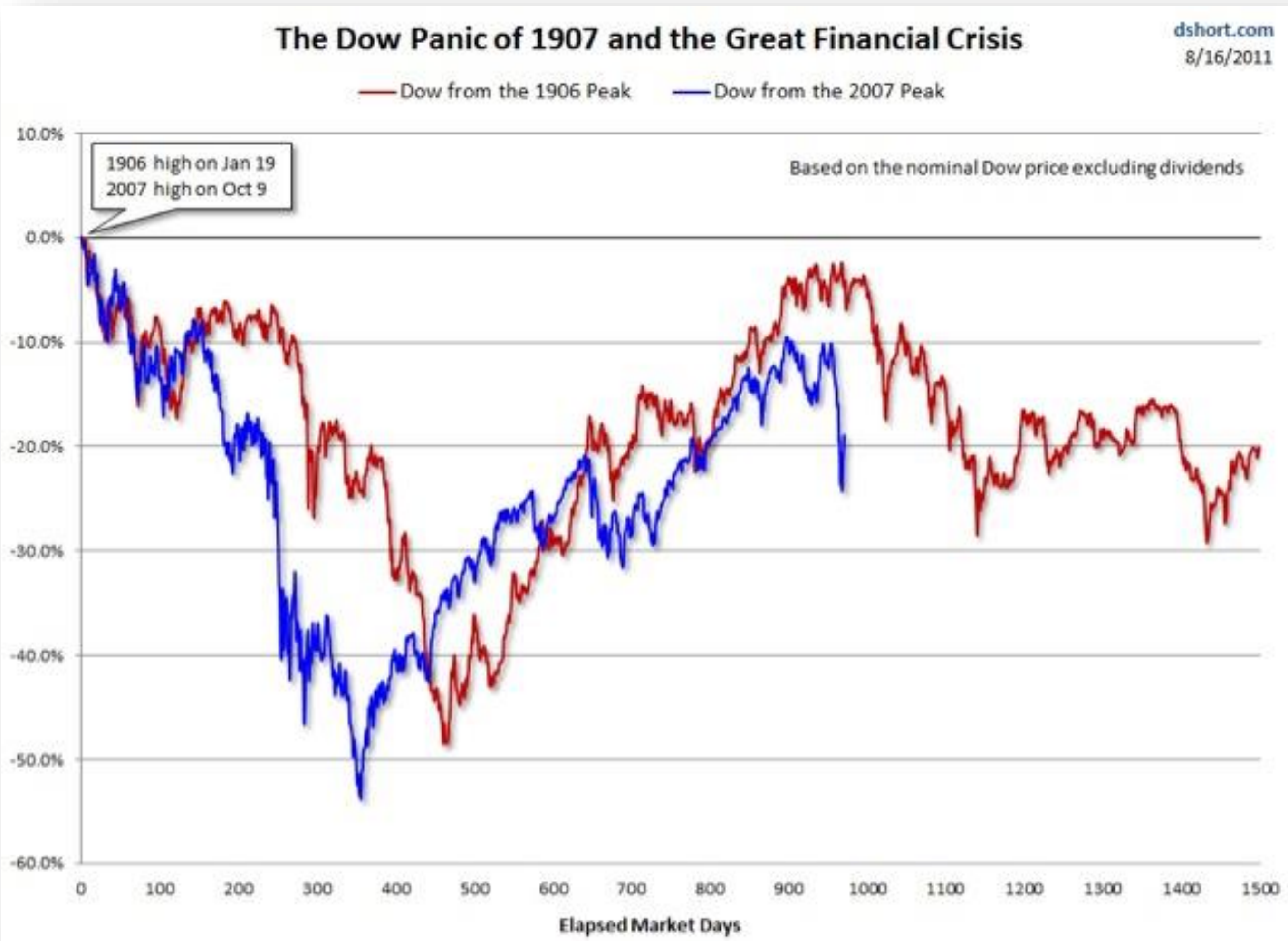
War is an expensive proposition for a nation. In search of an effective way to fund the costs of the war, President Abraham Lincoln authorized **the National Banking Act**. This act was similar in structure to the First and Second Bank of the United States. However, instead of vesting power into just one central bank, this new act made provisions for the federal government to control a number of national banks. These national banks were then responsible for purchasing federal government bonds with their own created bank notes.[14] The importance of this act should be noted, as it helped establish our current debt-based monetary system, which allows our federal government to create money out of thin air with the help of the Federal Reserve Banking system. In a letter sent to New York Bankers in support of the 1863 National Banking Act, John Sherman wrote: *"The few who can understand the system will either be so interested in its profits, or so dependent on its favors, that there will be no opposition from that class, while on the other hand, the great body of the people, mentally incapable of comprehending the tremendous advantages that capital derives from the system, will bear its burdens without complaint and perhaps without even suspecting that the system is inimical to their interests."*

Just before the passage of the National Banking Act, President Abraham Lincoln wrote a letter to William Elkin stating: *"I see in the near future a crisis approaching. It unnerves me and causes me to tremble for the safety of my country . . . the Money Power of the country will endeavor to prolong its reign by working upon the prejudices of the people, until the wealth is aggregated in a few hands and the Republic is destroyed. I feel at this moment more anxiety for the safety of my country than ever before, even in the midst of war."*[15]

Five months later, Lincoln would be assassinated. Controversy still surrounds his murder. Salmon P. Chase, the Secretary of the Treasury under Lincoln, later expressed regret at his role in the passage of the National Banking Act when he said, *"My agency in promoting the passage of the National Banking Act was the greatest financial mistake in my life. It has built up a monopoly which affects every interest in the country."*[16]

The national debate over the need for a centralized monetary authority continued to ebb and flow during the decades following the collapse of the Second Bank and the passage of the National Banking Act.

It was not until a series of bank runs known as "the Panic of 1907" that the American public became insatiably eager for a fresh round of banking and monetary reform. The Panic of 1907 would become the catalyst for the birth of the "Third" Bank of the United States.



The "Panic of 1907" shared many strange similarities to the 2007-2008 U.S. stock market crash.

MEET THE FEDERAL RESERVE: THE "THIRD" BANK OF THE UNITED STATES

One year after the Panic of 1907, President Theodore Roosevelt launched the National Monetary Commission. Under the direction of Senator Nelson Aldrich (a friend of J.P. Morgan and the father-in-law of John D. Rockefeller Jr.), the Commission members embarked on a tour of major European capitals in an effort to discover the inner workings of Europe's central banks. Senator Aldrich, who personally led the Commission's team of experts, sought to gain insight into how America could create its very own central bank. The group's findings became the basis for the Federal Reserve Act, which would lead to the creation of the Federal Reserve Banking System — "The Third Bank of the United States."

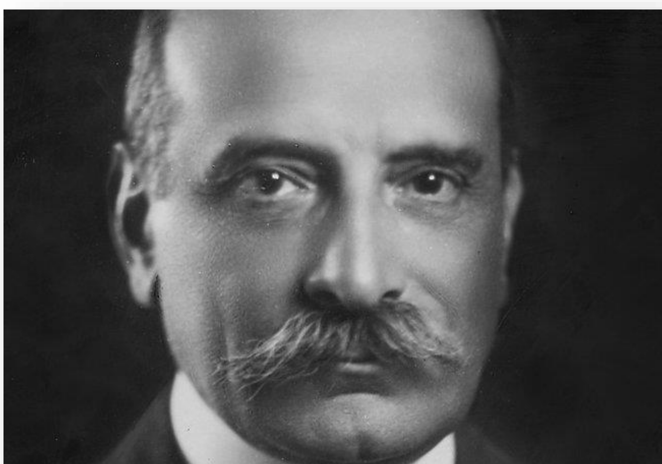
From its inception, the Federal Reserve Bank was shrouded in mystery. Many Americans mistakenly believe that the Federal Reserve Bank is simply an agency of the federal government that is regulated at the federal level. However, this is not true. While it is true that the Federal Reserve was created by an act of Congress, the bank is not a government entity. Instead, the "Fed" is a partnership between the federal government and the private banking system. In other words, the Fed is a government-controlled banking cartel. As such, it is as "federal" as Federal Express.

President Woodrow Wilson signing the Federal Reserve Act, 1913

Although the Fed was created by an act of Congress on December 23, 1913, the idea for America's new central bank was not debated in the halls of Congress. Instead, it was secretly conceived among a group of bankers on a small island off the coast of Georgia, known as Jekyll Island.

On the night of November 22, 1910, Senator Aldrich and seven of his associates boarded a private rail car in Hoboken, New Jersey. They traveled south to Jekyll Island, Georgia. Details of the meeting were kept secret. Security was tight and the media was not invited.

It was not until 1919, six years after the Jekyll Island event, that B.C. Forbes of the famed Forbes magazine broke the story of the top-secret meeting. Forbes interviewed one of the meeting attendees, Paul M. Warburg. During the interview, Warburg described the experience: *"Picture a party of the nation's greatest bankers stealing out of New York on a private railroad car under cover of darkness, stealthily heading hundreds of miles south, embarking on a mysterious launch, sneaking on to an island deserted by all but a few servants, living there a full week under such rigid secrecy that the names of not one of them was once mentioned lest the servants learn the identity and disclose to the world this strangest, most secret expedition in the history of American finance. I am not romancing. I am giving to the world, for the first time, the real story of how the famous Aldrich currency report, the foundation of our new currency system, was written."*[17]



Paul Moritz Warburg (1868-1932) was a German-born American banker, and an early advocate of the U.S. Federal Reserve System.

Warburg would later write this in his book, The Federal Reserve System, Its Origin and Growth: *"The results of the conference were entirely confidential. Even the fact there had been a meeting was not permitted to become public… Though eighteen years have since gone by, I do not feel free to give a description of this most interesting conference concerning which Senator Aldrich pledged all participants to secrecy."*[18]

The strict cloak of secrecy under which the Federal Reserve was created should be alarming to all Americans. This intentional concealment on the part of our government and the banking elites begs the question: What were the creators of the Federal Reserve hiding? Why did they feel such a strong need for secrecy? What was there to hide?

Perhaps the answer lies in the following statement from another attendee of the secret meeting, Frank Vanderlip. In a February 9, 1935, article in the *Saturday Evening Post*, Vanderlip wrote, *"If it were to be exposed publicly that our particular group had gotten together and written a banking bill, that bill would have no chance whatever of passage by Congress."*

According to Vanderlip, the Federal Reserve Bank, which controls our nation's money supply and our interest rate targets, was concocted in secret *because Congress would not have passed the bill if they had full knowledge of the bank's true intentions*.

Is this a legitimate reason for hiding the deliberations over this piece of legislation from the American public, and its elected leaders?

If monetary history has taught us anything it is that nations should cautiously guard who gains control over their money supply. Because of the extreme power that is attached to the issuance of a nation's money supply, it is not something that should be doled out to a secretive group cloaked in mystery.

A few weeks before his assassination in 1881, U.S. President James Garfield said these words: *"Whoever controls the money of a nation, controls that nation… Whosoever controls the volume of money in any country is absolute master of all industry and commerce… And when you realize that the entire system is very easily controlled, one way or another, by a few powerful men at the top, you will not have to be told how periods of inflation and depression originate."*

Several U.S. political leaders vocalized their concerns about the true intentions of the Federal Reserve Bank. For example, Minnesota Congressman Charles A. Lindbergh (the father of the famed aviator) said in 1913: *"This [Federal Reserve Act] establishes the most gigantic trust on Earth. When the President [Wilson} signs this bill, the invisible government of the monetary power will be legalized. . . . The worst legislative crime of the ages is perpetrated by this banking and currency bill."*[20]

Fearing the ultimate control that the private central bankers would now have over the U.S. economy, Lindbergh added: *"From now on, depressions will be scientifically created."*[21]

Despite numerous warnings — and two past failures — the Federal Reserve Act was passed by the U.S.

House of Representatives on December 22, 1913.

With the bill passed by the House, it went on to the U.S. Senate. Given the secrecy in which the idea was originated, there is little doubt that the timing of the proposed Federal Reserve Act — the same week as Christmas break — was intentionally designed to get the controversial bill through the Senate with as little debate as possible. The clever ploy succeeded as the Senate vote was quietly scheduled for December 23, 1913. Just two days before Christmas, many senators had already gone home for the holiday break. As the bankers had hoped, the bill passed through the Senate with relatively little debate. Later that same day, President Woodrow Wilson signed the Federal Reserve Act into law.

As Ralph Epperson would later put it: *"The American people, who had suffered through the American Revolution, the War of 1812, the battles between Andrew Jackson and the Second Bank of the United States, the Civil War, the previous panics of 1873 and 1893, and now the Panic of 1907, were finally conditioned to the point of accepting the solution offered by those who had caused all of these events: the international bankers. That solution was a central bank."* [19]

True to form and to history, the Federal Reserve Bank doubled the U.S. money supply from 1914 to 1919. These fresh injections of U.S. dollars into the economy created an era of widespread economic growth. By 1920, when the nation's money supply had become too robust, the banks began calling in loans, resulting in widespread bankruptcies and foreclosures. Over 5,000 banks failed during the ensuing recession of 1921, leading to a consolidation of the banking industry. This consolidation of the banking industry in 1921 allowed larger banks to purchase their former competitors for pennies on the dollar, giving more control to the nation's largest banks. This would become a common theme throughout the 20th century.

From 1921 to 1929, the Federal Reserve again increased the U.S. money supply, this time by over 60 percent.[22] This era, marked by increasing wealth and consumer excess, is often referred to by historians as the "Roaring Twenties." As the Fed increased the supply of money and credit, investors enjoyed the benefits of rising asset prices. An unfortunate side effect of this Fed-created distortion of the real economy was the belief by many

Americans that the stock market, which had increased in value five-fold from 1923 to 1929, would continue rising indefinitely. Investor optimism led to wild speculation as hundreds of thousands of Americans sought to strike it rich in the stock market. By August 1929, stock brokers had loaned out over $8.5 billion to small investors — *more than the entire number of U.S. dollars in circulation at the time.*

First Board of Governors of the Federal Reserve System. Seated: Charles S. Hamlin, William G. McAdoo, Frederic A. Delano. Standing: Paul M. Warburg, George Skelton Williams, W.P.G. Harding, Adolph C. Miller.

Few Americans were prepared for the cataclysmic event that awaited them. In the final week of October 1929, America's time of reckoning arrived as the U.S. stock market dropped precipitously, wiping out billions of dollars of American wealth in an instant. Many Americans, fearing for the safety of any wealth they had left, began withdrawing funds from local banks. These events, known as "bank runs", led to the failure of over 10,000 banks — leading to an even further consolidation of the banking industry. The Federal Reserve did little to prevent the crash of 1929, and did even less to stabilize the economy once it had weakened. In the face of such desperate economic pressure, this inaction on the part of the Fed confirmed the deep-seated concerns that some American political leaders had regarding the central bank.

One case involved Pennsylvania Congressman Louis T. McFadden, who sought to bring conspiracy charges against the Federal Reserve Board in 1932. In a speech before the Congress, McFadden declared: *"Mr. Chairman,* *we have in this country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board and the Federal Reserve Banks, hereinafter called the Fed. The Fed has cheated the government of these United States and the people of the United States out of enough money to pay the nation's debt. The depredations and iniquities of the Fed have cost enough money to pay the national debt several times over.* ***This evil institution has impoverished and ruined the people of these United States, has bankrupted itself, and has practically bankrupted our government.*** *It has done this through the defects of the law under which it operates, through the maladministration of that law by the Fed and through the corrupt practices of the moneyed vultures who control it.* ***Some people think that the Federal Reserve Banks are United States government institutions. They are private monopolies which prey upon the people of these United States for the benefit of themselves and their foreign customers; foreign and domestic speculators and swindlers; and rich and predatory money lenders. There is not a man within the sound of my voice who does not know that this nation is run by the international bankers.***"[23]

DID YOU KNOW?

IN 1933, AMERICA WAS STILL SUFFERING THROUGH THE WORST OF THE GREAT DEPRESSION. IN AN EFFORT TO PRESERVE THEIR CAPITAL, MANY AMERICANS WERE CASHING IN THEIR GOLD-BACKED U.S. DOLLARS IN EXCHANGE FOR GOLD. AS DEMAND FOR GOLD BECAME CRIPPLING, PRESIDENT ROOSEVELT ISSUED EXECUTIVE ORDER 6102, WHICH AUTHORIZED THE CONFISCATION OF ALL PRIVATELY OWNED GOLD HELD BY U.S. CITIZENS. IN EXCHANGE FOR THEIR GOLD, AMERICANS WOULD RECEIVE PAPER MONEY. THIS DESPICABLE ACT WAS DONE UNDER THE GUISE OF HELPING "BRING AN END TO THE DEPRESSION." THE PENALTIES FOR VIOLATING THIS GOLD SEIZURE LAW: A $10,000 FINE AND/OR TEN YEARS IN PRISON. **INTERESTINGLY, NO FINES WERE ISSUED AND NO ONE WAS IMPRISONED AS A RESULT.**

McFadden's concerns were not unusual. Even President Franklin D. Roosevelt was intimately aware of the intense debate over the efficacy of the Federal Reserve. In a letter to Colonel Edward M. House dated November 21, 1933, Roosevelt admitted the extreme tension between the nation and the Federal Reserve Bank: *"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*** *— and I am not wholly excepting the Administration of W.W. [Woodrow Wilson].* ***The country is going through a repetition of Jackson's fight with the Bank of the United States — only on a far bigger and broader basis.*** *"* [24]

While the average American was facing severe financial hardship in the wake of the Great Depression, the central bankers and their rich banking friends had seen the danger coming and had escaped the downturn. For example, Federal Reserve member Paul Warburg reportedly issued a warning in March 1929 to the central banking community that a U.S. stock market crash was nearing. In his book, *The Creature from Jekyll Island,* G. Edward Griffin writes: *"Virtually all of the inner club [banking elite] was rescued. There is no record of any member of the interlocking directorate between the Federal Reserve, the major New York banks, and their prime customers having been caught by surprise."* [25]

President Woodrow Wilson, the President who signed the Federal Reserve Act into law, would later openly express his concern that America was being controlled by a separate "invisible" government. The following three quotes are taken from the writings of President Wilson.

> "We have restricted credit, we have restricted opportunity, we have controlled development, and **we have come to be one of the worst ruled, one of the most completely controlled and dominated, governments in the civilized world** — no longer a government by free opinion, no longer a government by conviction and the vote of the majority, **but a government by the opinion and the duress of small groups of dominant men.**" [26]

> "Since I entered politics, I have chiefly had men's views confided to me privately. **Some of the biggest men in the United States, in the field of commerce and manufacture, are afraid of somebody, are afraid of something.** They know that there is a power somewhere **so organized, so subtle, so watchful, so interlocked, so complete, so pervasive, that they had better not speak above their breath when they speak in condemnation of it.**" [27]

"The government, which was designed for the people, has got into the hands of the bosses and their employers, the special interests. **An invisible empire has been set up above the forms of democracy.**" [28]

Supreme Court Justice Felix Frankfurter would later express similar concerns when he stated in 1952: *"The real rulers in Washington are invisible and exercise power from behind the scenes."* [29]

Senator Barry Goldwater identified the international money lenders as the source of this "invisible power" when he stated: *"Most Americans have no real understanding of the operation of the international moneylenders. The bankers want it that way. We recognize in a hazy sort of way that the Rothschilds and the Warburgs of Europe and the houses of J.P. Morgan, Kuhn, Loeb and Company, Schiff, Lehman, and Rockefeller possess and control vast wealth. How they acquire this vast financial power and employ it is a mystery to most of us.* ***International bankers make money by extending credit to governments. The greater the debt of the political state, the larger the interest returned to the lenders. The national banks of Europe are actually owned and controlled by private interests."*** [30]

Sir Josiah Stamp, the president of the Bank of England in the 1920s and the second richest man in Britain, made this revealing comment: *"Banking was conceived in iniquity and was born in sin. The bankers own the earth. Take it away from them, but leave them the power to create deposits, and with the flick of the pen they will create enough deposits to buy it back again. However, take it away from them, and all the great fortunes like mine will disappear and they ought to disappear, for this would be a happier and better world to live in. But,* ***if you wish to remain the slaves of bankers and pay the cost of your own slavery, let them continue to create deposits."*** [31]

HOW AMERICA LOST THE REVOLUTIONARY WAR

America's early history is one of struggle for economic and political freedom from edicts and policies issued by Great Britain. The conflict eventually led to an American declaration of freedom and independence by way of the Revolutionary War. But it did not take long for America's newfound economic freedom to be threatened by Europe's corrupt central banking system. After several battles with private banking interests throughout its history, America finally lost the war for their economic autonomy with the establishment of the Federal Reserve

Banking System on December 23, 1913. I believe that on this day, America lost nearly all of the benefits they sought to gain from their earlier Revolution.

Today, the U.S. government is heavily indebted to private banking interests — both domestic and foreign. Similarly, U.S. citizens are no more than indentured servants beholden to the debts that have been created through years of poor fiscal and monetary choices. After all, "we the people" bear the ultimate responsibility for all of the debts incurred by our spendthrift government and their central banking schemes.

Since 1913, the U.S. government has opted to outsource its constitutional obligation to create currency. Instead of creating its own currency free of interest as it is instructed to do in Article I, Section VIII of the Constitution, it has chosen to *borrow its own currency from the privately held Federal Reserve — at interest!*

The U.S. government grants this private banking cartel — the Federal Reserve — the ability to print money out of thin air. In turn, the Federal Reserve banking system empowers American banks to do the same through the magic of "fractional-reserve banking."

FRACTIONAL-RESERVE FAITH

Thanks to a monetary technique known as fractional reserve banking, banks are not required to keep all of your bank deposits on hand. In fact, banks in most countries are required to keep less than 10 percent of your current bank balance on hand at all times. **This means that if every customer of a bank suddenly demanded all his or her money at the same time, only a fraction of the money would be available**. After 10,000 banks went bankrupt due to such "bank runs" during the great depression, the Federal government created the Federal Deposit Insurance Corporation (FDIC). But as you have seen, our banking system requires the faith of the American people. And if that faith ever fails, so too will the banking system.

The greatest fears of America's founding fathers have come true: *Our nation has become enslaved to private banking interests — and most do not even realize it.*

Several questions remain for those who wish to delve deeper into this subject. These questions include the following:

- **If the Federal Reserve is a private banking cartel that is independent from the government, *who are its owners*?**
- **Why does the government pay interest to the Federal Reserve for the currency that it creates when the government could save the interest by printing its own currency?**
- **How are America's banks able to create money out of thin air?**
- **And finally, what effect has this central banking scheme had upon you, the average American consumer?**

QUICK SUMMARY

- ✓ The American Revolutionary War was rooted in a belief that the American colonies had a right to economic liberty and political autonomy.
- ✓ Despite vehement opposition to the First Bank of the United States, President George Washington signed the First Bank of the United States into law on April 25, 1791, along with a 20-year charter, set to expire in 1811.
- ✓ In 1816, after the War of 1812, the Second Bank of the United States was born with a 20-year charter.
- ✓ The policies of these early central banks led to a series of booms and busts, which are a common trait of an economy with a central bank.
- ✓ In 1828, Andrew Jackson was elected President. His one guiding mission was to "kill the Second Bank."
- ✓ After a long struggle, Jackson succeeded in destroying the Second Bank of the United States.
- ✓ The period from 1837 to 1862 was known as the Free Bank Era.
- ✓ Despite numerous warnings — and two past failures — the Federal Reserve Act was passed by the U.S. House of Representatives on December 22, 1913. The next day, just two days before Christmas,

the Senate passed it and President Woodrow Wilson signed it into law.

- ✓ With the passage of the Federal Reserve Act, the greatest fears of America's founding fathers came true as our nation became *enslaved to private banking interests.*

CONCLUSION

We hope you enjoyed this brief special report on the hidden history of the Federal Reserve. Much of this report was taken from Jerry Robinson's best-selling book, **Bankruptcy of our Nation**. Learn more online at **http://www.ftmdaily.com/bankruptcy**

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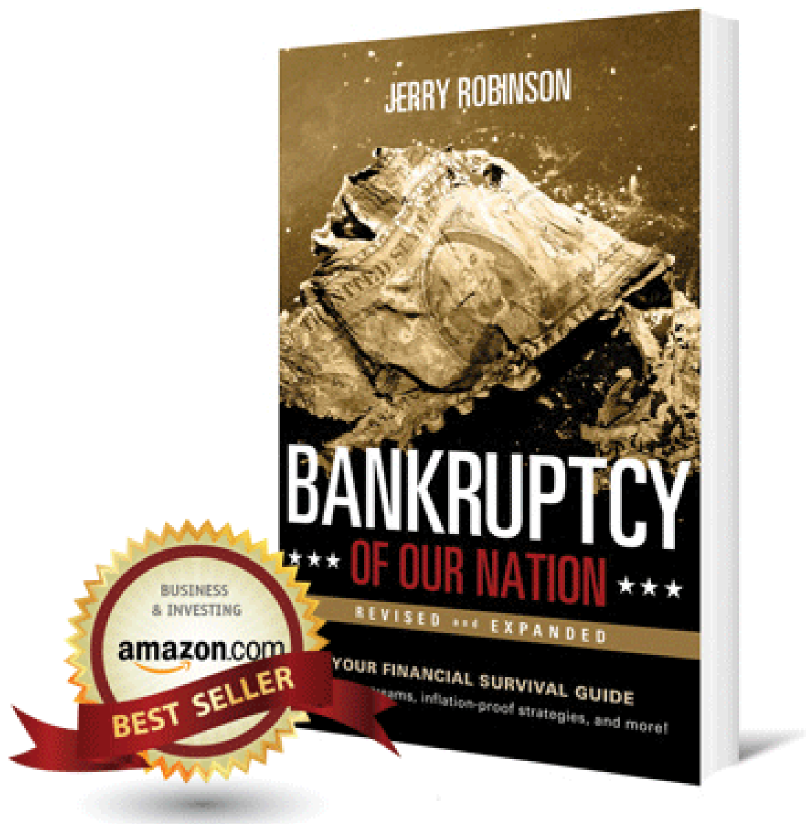

HISTORICAL QUIPS AND QUOTES ON THE FEDERAL RESERVE

"Most Americans have no real understanding of the operation of the international money lenders. The accounts of the Federal Reserve System have never been audited. It operates outside the control of Congress and manipulates the credit of the United States."

U.S. SENATOR BARRY GOLDWATER (R-AZ)

"If the American people only understood the rank injustice of our money and banking system — there would be a revolution by morning."

U.S. PRESIDENT ANDREW JACKSON, IN A SPEECH TO CONGRESS IN 1829

"The regional Federal Reserve banks are not government agencies. ...but are independent, privately owned and locally controlled corporations."

LEWIS VS. UNITED STATES, 680 F. 2D 1239 9TH CIRCUIT 1982

"The Federal Reserve banks are one of the most corrupt institutions the world has ever seen. There is not a man within the sound of my voice who does not know that this nation is run by the International bankers."

CONGRESSMAN LOUIS T. MCFADDEN (R-PA)

"The real truth of the matter is, as you and I know, that a financial element in the large centers has owned the government of the U.S. since the days of Andrew Jackson."

PRESIDENT FRANKLIN DELANO ROOSEVELT

"This [Federal Reserve Act] establishes the most gigantic trust on earth. When the President [Wilson} signs this bill, the invisible government of the monetary power will be legalized....the worst legislative crime of the ages is perpetrated by this banking and currency bill."

-CHARLES A. LINDBERGH, SR., 1913

"When you or I write a check there must be sufficient funds in our account to cover the check, but when the Federal Reserve writes a check there is no bank deposit on which that check is drawn. When the Federal Reserve writes a check, it is creating money."

-PUTTING IT SIMPLY, BOSTON FEDERAL RESERVE BANK

"We have, in this country, one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board. This evil institution has impoverished the people of the United States and has practically bankrupted our government. It has done this through the corrupt practices of the moneyed vultures who control it."

-U.S. CONGRESSMAN LOUIS T. MCFADDEN, IN 1932

“The few who understand the system, will either be so interested from its profits or so dependent on its favors, that there will be no opposition from that class.”

-ROTHSCHILD BROTHERS OF LONDON, 1863

"While boasting of our noble deeds were careful to conceal the ugly fact that by an iniquitous money system we have nationalized a system of oppression which, though more refined, is not less cruel than the old system of chattel slavery."

-HORACE GREELEY

"The Federal Reserve bank buys government bonds without one penny..."

-U.S. CONGRESSMAN WRIGHT PATMAN, CONGRESSIONAL RECORD, SEPT 30, 1941

"...the increase in the assets of the Federal Reserve banks from 143 million dollars in 1913 to 45 billion dollars in 1949 went directly to the private stockholders of the [federal reserve] banks."

-EUSTACE MULLINS

"The financial system has been turned over to the Federal Reserve Board. That Board administers the finance system by authority of a purely profiteering group. The system is Private, conducted for the sole purpose of obtaining the greatest possible profits from the use of other people's money"

-CHARLES A. LINDBERGH SR., 1923

"Bankers own the earth. Take it away from them, but leave them the power to create money and control credit, and with a flick of a pen they will create enough to buy it back."

-SIR JOSIAH STAMP, FORMER PRESIDENT, BANK OF ENGLAND

"All the perplexities, confusion and distress in America arise, not from defects in their Constitution or Confederation, not from want of honor or virtue, so much as from the downright ignorance of the nature of coin, credit and circulation."

-U.S. PRESIDENT JOHN ADAMS

"Whoever controls the volume of money in any country is absolute master of all industry and commerce."

- U.S. PRESIDENT JAMES A. GARFIELD

"A great industrial nation is controlled by its system of credit. Our system of credit is concentrated 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 world--no longer a government of free opinion, no longer a government by conviction and vote of the majority, but a government by the opinion and duress of small groups of dominant men."

- U.S. PRESIDENT WOODROW WILSON

"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."

-U.S. PRESIDENT JAMES MADISON

"I believe that banking institutions are more dangerous to our liberties than standing armies. Already they have raised up a moneyed aristocracy that has set the government at defiance. The issuing power (of money) should be taken away from the banks and restored to the people to whom it properly belongs."

- U.S. PRESIDENT THOMAS JEFFERSON

“The money powers prey upon the nation in times of peace and conspire against it in times of adversity. It is more despotic than a monarchy, more insolent than autocracy, and more selfish than bureaucracy. It denounces as public enemies all who question its methods or throw light upon its crimes. I have two great enemies, the Southern Army in front of me and the bankers in the rear. Of the two, the one at my rear is my greatest foe.”

- U.S. PRESIDENT ABRAHAM LINCOLN

"Give me control of a nation's money and I care not who makes its laws"

-MAYER AMSCHEL BAUER ROTHSCHILD

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