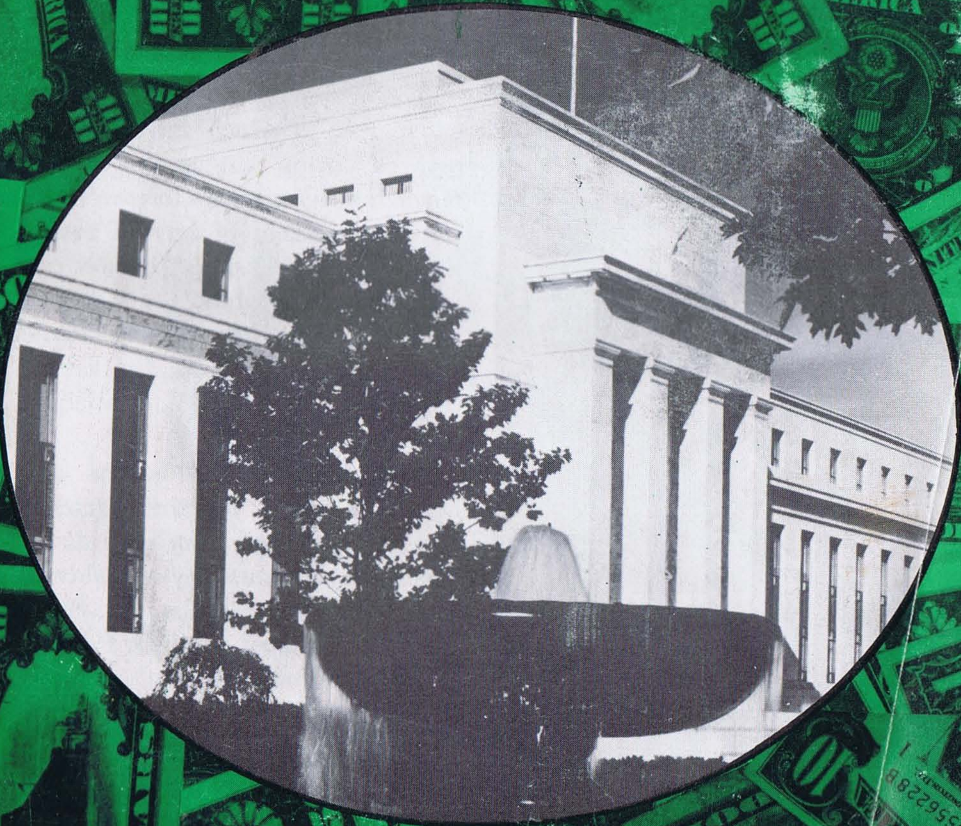
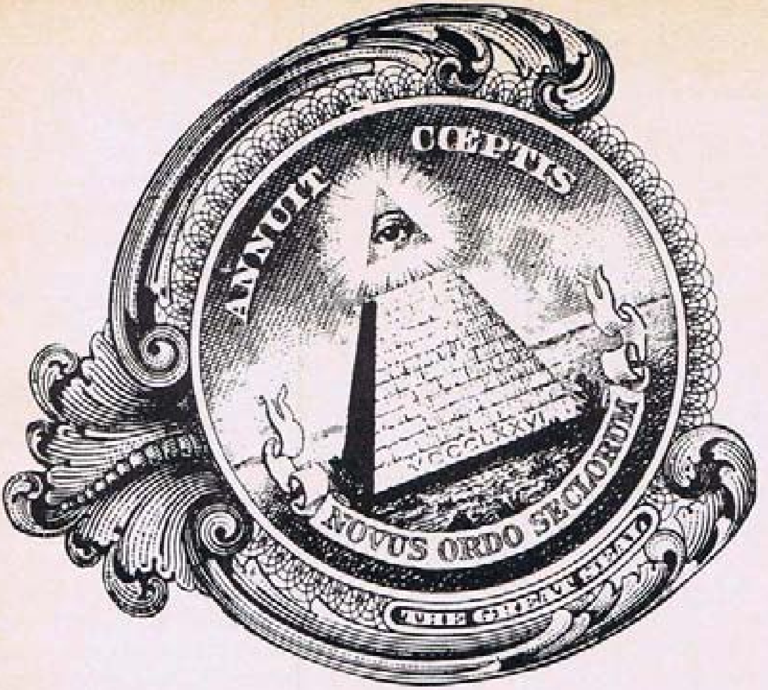
Thirty-five Cents

FEDERAL RESERVE



The Trillion-Dollar Conspiracy

by Gary Allen



FEDERAL RESERVE

The Trillion-Dollar Conspiracy

Gary Allen, *a graduate of Stanford, is author of the best-seller* None Dare Call It Conspiracy. *He has just finished a new book,* The Rockefeller File, *which is now available. Mr. Allen is an* American Opinion *Contributing Editor.*

■ For many years Conservatives have been trying to arouse public concern over the Federal Reserve System and the stranglehold its bosses have on our economy. Sitting astride our money system as it does, the Federal Reserve makes decisions which weigh heavily on how much you are going to pay for bread, milk, and rent, or whether you're going to have a job.

Each year millions of students in high schools and colleges take courses in which they are taught that the creation of the Federal Reserve System represented a "triumph of democracy over the power of the greedy private interests." In reality, the opposite was true, and the Federal Reserve became the Trojan Horse through which the nation's premier bankers seized a monopoly over our money system. As Professor Antony Sutton has observed:

> *While monopoly control of industries was once the objective of J.P. Morgan and J.D. Rockefeller, by the late nineteenth century the inner sanctums of Wall Street understood that the most efficient way to gain an unchallenged monopoly was to "go political" and make society go to work for the monopolists — under the name of the public good and the public interest.*

This strategy was detailed in 1906 by Frederick C. Howe in his *Confessions Of A Monopolist*. Howe stated: "These are the rules of big business. They have superseded the teachings of our parents and are reducible to a simple maxim: Get a monopoly; let Society work for you; and remember that the best of all business is politics, for a legislative grant, franchise, subsidy or tax exemption is worth more than a Kimberly or Comstock lode, since it does not require any labor, either mental or physical, for its exploitation.

Banking monopolists were conspiring for centralization. Such powerful would-be monopolists as J.P. Morgan and John D. Rockefeller joined the game and went into the business of politics to expand their dreams of conquest. Their first major move as conspirators was to sponsor creation of the income tax, which was sold to the nation as a modest "soak-the-rich" scheme. It is not without meaning that the progressive income tax is plank Number Two of the *Communist Manifesto*.

In 1908 a Constitutional Amendment to establish an income tax was introduced into the U.S. Senate by Nelson Aldrich of Rhode Island. Aldrich was regarded as the "authentic voice of J.P. Morgan" in the Senate and his daughter later married the son of John D. Rockefeller. (The Vice President, *Nelson Aldrich* Rockefeller, is named for his maternal grandfather.) When the income tax had been introduced in the Senate in 1894, Senator Aldrich had correctly denounced it as Communistic. But now the strategy of the Morgan-Rockefeller *Insiders* had changed.

Why did Rockefeller and Morgan arrange for their pet Senator to pull the cart in the opposite direction? Because they had realized that government is the ultimate monopoly and needed the income tax to fund THEIR government. These *Insiders*, as we now call such top conspirators, easily avoided the consequences of the tax they were placing on their competitors by simultaneous creation of the tax-free foundation. As Ferdinand Lundberg observes in *The Rich And The Super-Rich*: "What it [*the income tax*] became, finally, was a siphon gradually inserted into the pocketbooks of the general public. Imposed to popular huzzas as a class tax, the income tax was gradually turned into a mass tax in a jiujitsu turnaround . . . ."

In fact, the Establishment conspirators would soon use the increasingly centralized federal government to tax the middle class and transfer their funds to Rockefeller and other *Insider* interests through foreign aid and a myriad other programs.

While the Rockefeller-Morgan clique was working to fasten the progressive income tax on the American public, it was working simultaneously to saddle the American economy with a central bank under its own control. The Federal Reserve Act and the Sixteenth Amendment (which created the graduated income tax) were heads and tails of the same coin. The American economy was growing so rapidly that despite their immense wealth the

Rockefeller-Morgan interests were losing their relative muscle to independent money centers outside of New York. A central bank under their control would keep the upstarts west of the Hudson River in their place and under the *Insider* thumb.

In 1907 Morgan still had enough power to precipitate a financial panic by spreading rumors that the Knickerbocker Bank and the Trust Company of America were insolvent. The rumors precipitated an old-fashioned run on the bank, making the rumors Morgan had started come true. Establishment historians are unanimous in agreeing that it was the Panic of 1907 which "proved" the desperate need for a central bank. What the *Insiders* wanted was a central bank of issue similar to the Bank of England or the Reichsbank of Germany, a federally established but privately controlled institution whose notes (currency) would be legal tender (money which the law requires a creditor to accept).

First, Congress created a National Monetary Commission to study the situation. Under the leadership of Senator Aldrich, sixteen Senators and Representatives toured Europe for two years to learn all about central banking. After their return to the United States, a secret meeting was held late in 1910 on Jekyll Island, Georgia, where the members of the commission spent ten days with representatives of the Morgan, Rockefeller, and other big banking interests.

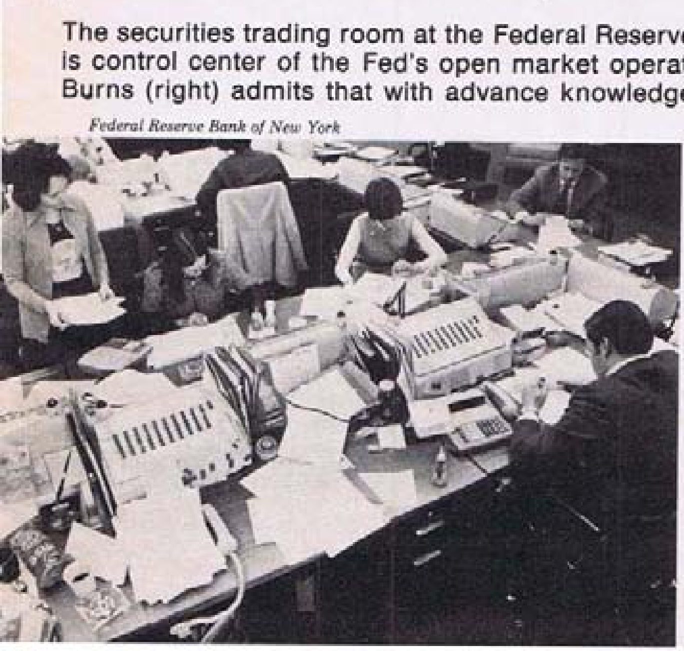
Also in attendance was Paul M. Warburg, a German financier who had come to the United States to join the banking firm of Kuhn, Loeb & Company and to promote the plan for a central banking system. Kuhn, Loeb & Company, Warburg, and Morgan were all connected with the Rothschilds, those uncommonly wealthy leaders of European high finance and political conspiracy. It is of more than passing interest that Kuhn, Loeb & Company and the Morgan and Rockefeller people also financed the Bolshevik conquest of Russia.*

Several of the participants later admitted that the Federal Reserve System was born at that secret meeting on Jekyll Island. The structure was the creation of Warburg, but Aldrich's name was attached to the Act when it was submitted to the Senate in 1909.

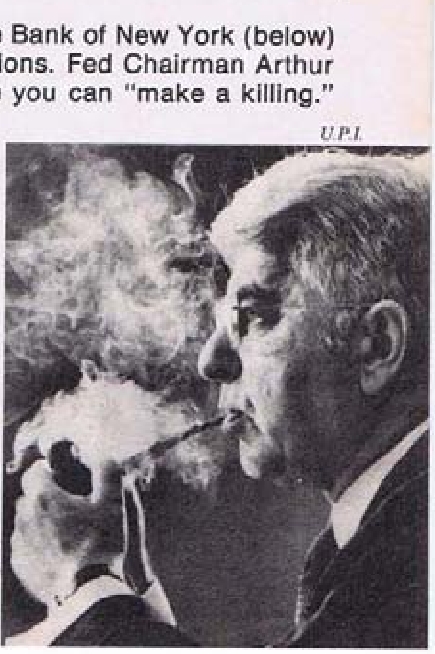
*See the author's book, *None Dare Call It Conspiracy* (Seal Beach, California, Concord Press, 1971), and Antony Sutton's *Wall Street And The Bolshevik Revolution* (New Rochelle, New York, Arlington House, 1975).

The securities trading room at the Federal Reserve Bank of New York (below) is control center of the Fed's open market operations. Fed Chairman Arthur Burns (right) admits that with advance knowledge you can "make a killing."

Federal Reserve Bank of New York



U.P.I.



He was, after all, Chairman of the Joint Committee charged with investigating central banking. But the Aldrich name was the kiss of death in the Democrat-controlled Congress. Manipulation of the government by the *Insiders* of international finance was a major public concern at the time, and there was no one so openly and avowedly in league with the Rockefeller-Morgan clique than Senator Nelson Aldrich. The bill languished and died. The Money Trust temporarily assumed a low profile.

The 1912 elections, however, provided the *Insiders* with an opportunity to bring in the central bank through the back door. While the Republican Party was generally associated with the Rockefeller-Morgan group, its nominee, William Howard Taft, was now opposed to the Aldrich Bill. The Democrats were, in general, wary of the international money gang, but their Presidential candidate was a longtime admirer of J.P. Morgan. The rub was that there seemed to be no way Woodrow Wilson could defeat Taft, and with Taft in the White House and the Democrats in control of Congress there was no way the Aldrich Bill could be passed.

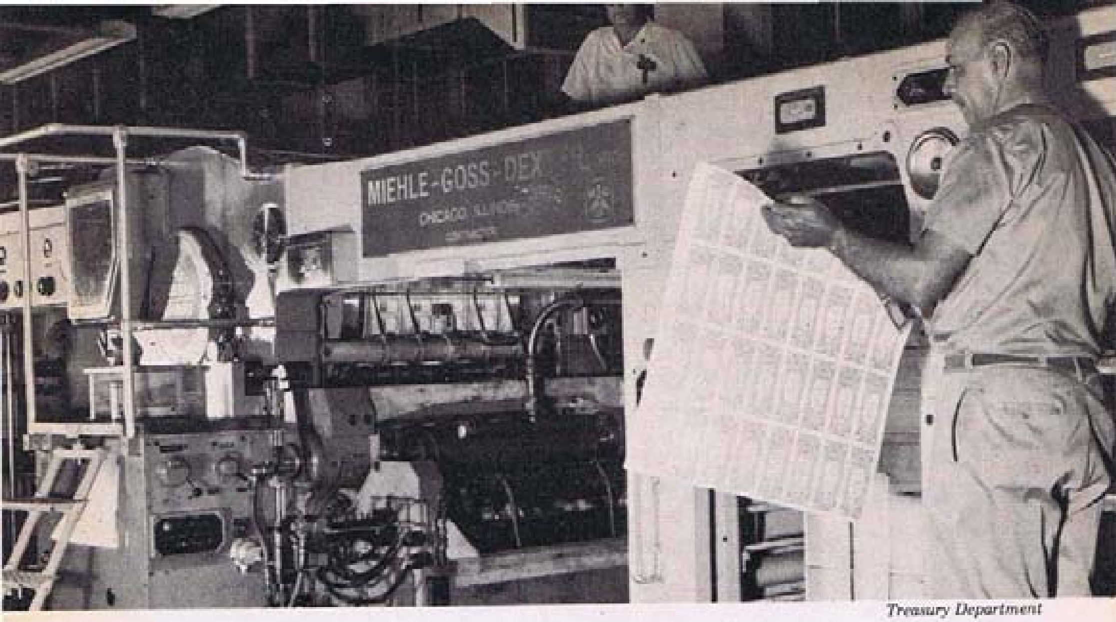
The Morgan people came up with the clever strategy of sponsoring Theodore Roosevelt on a Third Party ticket to draw votes away from Taft and put Woodrow Wilson in the White House. The House of Morgan bankrolled the Bull Moose Party and the ploy worked with the slick precision of a Teflon-coated razor blade.

Wilson, according to the cynics of the day, was an honest politician: Once bought, he stayed bought. Although the rhetoric of his campaign consisted of emotional and flowery diatribes against the Rockefeller-Morgan *Insiders*, once in office he paid off like a slot machine rigged to stop on three cherries. The Aldrich Bill was repackaged as the Glass Bill and passed in December 1913. The key people involved with the Aldrich proposal even went through the motions of publicly denouncing what was in effect their own bill under a new name. The Republicans could not have passed such a law, but under pressure brought by Wilson and his *alter ego*, Edward Mandell House, Democrats went along with an appeal to party loyalty and passed it.

Warburg wrote Congressman Carter Glass on December 23, 1913, congratulating him on his excellent work: "I rejoice at the many good features that, after all, the law will contain. The fundamental thoughts for the victory of which some of us have worked for so many years, have won out." He hinted strongly that the purpose of his criticism had been to disarm the opposition into believing that Wall Street was hostile to the Act. Warburg closed his letter by offering his most "sincere appreciation for having been permitted to counsel with you so frankly and so frequently."

Not everyone was fooled by the masquerade. After the vote, Congressman Charles A. Lindbergh Sr., father of the famous aviator, told Congress: "This act establishes the most gigantic trust on earth . . . . When the President signs this act the invisible government by the money power, proven to exist by the Money Trust investigation, will be legalized . . . . This is the Aldrich Bill in disguise. . . . The new law will create inflation whenever the trusts want inflation."

In his scholarly book, *The Decay Of Money*, monetary historian Elgin Groseclose writes that the passage of the Federal Reserve Act meant "the distintegration of the [*anti-inflationary*] gold standard enacted in 1900 became a certainty. The guiding principle of the new system as stated by its most vocal proponent, Paul War-



Treasury Department

Officers of the Federal Reserve own more than $100 million in stocks while making decisions in secret affecting the prices of those stocks. With a nod, they turn the printing presses on or off — creating inflation or depression.

burg, was that of a flexible currency, the amount of which — and therefore the value — would fluctuate, not in accordance with the amount of gold [*which generally fluctuates very little*], but with the amount of commercial bills in the market . . . . Needless to say, the prospect of ever-cheap money, which his proposals offered — the assurance that money would never be dear but always abundantly available — was highly appealing to a public nurtured on the spiced milk of speculative venture."

In other words, the value of gold was very difficult for the Big Boys to manipulate. After all, you cannot create gold with a printing press. During the Nineteenth Century several profitable panics had been created by shipping gold from one country to another, but the public was becoming increasingly wise to that game. The *Insiders* would now take the onus off their rigging of booms and busts by hiding the whole operation in a secretive quasi-government bureau. They would no longer be blamed for yo-yoing the economy.

How powerful is our "central bank"? The Federal Reserve controls our money supply and interest rates, and thereby manipulates the entire economy — creating inflation or deflation, recession or boom, and sending the stock market up or down at whim. It is so powerful that Congressman Wright Patman, who was Chairman of the House Banking Committee for many years until he was deposed in 1975, maintains: "In the United States today we have in effect two governments . . . . We have the duly constituted Government . . . . Then we have an independent, uncontrolled and uncoordinated government in the Federal Reserve System, operating the money powers which are reserved to Congress by the Constitution."

Neither Presidents, Congressmen, nor Secretaries of the Treasury direct the Federal Reserve. In matters of money, the Federal Reserve directs *them*. The Presidential tapes in the

Watergate affair confirm that President Nixon accepted Fed authority over our money without question. And the uncontrolled power of the Fed was admitted by Secretary of the Treasury David M. Kennedy in an interview with *U.S. News & World Report* of May 5, 1969:

Q. Do you approve of the latest credit-tightening moves [of the Federal Reserve Board]?

A. It's not my job to approve or disapprove. It is the action of the Federal Reserve.

In other words, "Ours is not to reason why . . . ."

William McAdoo, Woodrow Wilson's son-in-law and Secretary of the Treasury when the Federal Reserve Act was passed, wrote in his memoirs that "the Fed was designed to have power over the Treasury." He writes that though "the Federal Reserve Board still has offices in the Treasury Building, it is not at all subservient to the Treasury Department — and never was."

"A Primer On Money," published by the House Banking and Currency Committee in 1964, states: "Although a creature of Congress, the Federal Reserve is, in practice, independent of that body in its policy making . . . . The Federal Reserve neither requires nor seeks the approval of any branch of government for its policies. The system itself decides at what ends its policies are aimed and then takes whatever actions it sees fit to reach those ends."

The structure of these operations is fascinating. A book published by the Federal Reserve, *The Federal Reserve System: Purposes And Functions*, informs us that there are three bodies that "have responsibility for making and executing monetary policy. These three are the Board of Governors, the Federal Open Market Committee, and the Federal Reserve Banks." It explains that at the apex of the System is the Board of Governors, whose prime functions are formulation of monetary policy, regulation of commercial banks, and the operation of the Federal Reserve Banks. According to the Fed: "The Board is an agency of the Federal Government." This implies that it is subservient to other arms of the government; but, as we have just seen, that is not the case.

The manual says of the Board: "It consists of seven members appointed by the President of the United States and confirmed by the U.S. Senate." One would suppose that such crucial appointments would be the subject of intense debate before the Senate and that the economic philosophies and monetary policies of the nominees would be put to microscopic examination. After all, these appointees hold in their collective hands the economic health and prosperity of the nation. But their confirmation is as perfunctory as approval of the Ambassador to Botswana.

It can be argued that since the members of the Board are selected by the President the Executive Branch has at least *de facto* control. No doubt the Board has often played ball with those currently in power, but there is no guarantee. Board members are appointed for terms of *fourteen years*, and their terms are so arranged that one expires every two years. This means that even a two-term President would not have appointed a majority until the last two years of his Administration.

What happens is that the New York banking fraternity makes large contributions to both sides of Presidential campaigns and is in return allowed to recommend appointments to the Fed Board. Few Presidents have had any familiarity at all with the obscure economists to whom they have given these crucial posts.

The second of the three bodies responsible for Federal Reserve policies is the Federal Open Market Committee (F.O.M.C.), which is responsible for determining what transactions the Fed will conduct with the nation's banks. The F.O.M.C. handles the nation's bond portfolio and thereby controls the money supply — a process we shall discuss later. The Open Market Committee is comprised of the seven members of the Board of Governors and five Reserve Bank presidents, one of whom is always the president of the Federal Reserve Bank of New York. The other bank presidents serve one-year terms on a rotating basis.

The third section of the Federal Reserve System is comprised of the twelve Federal Reserve Banks located in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco. The directors of these banks are appointed by the member banks within each district. All national banks are by law required to be part of the Federal Reserve System and membership by state-chartered banks is optional. There are approximately fifty-eight hundred banks within the System.

The reason for having twelve district banks goes back to the creation of the Federal Reserve. Americans west of the Hudson River were inherently distrustful of a central bank. Conspirator Paul Warburg had warned his colleagues at Jekyll Island to avoid the term "central bank" as they would a leper dispensing kisses. The Jekyll Island conspirators decided to promote their scheme as a "regional reserve" system with four (later expanded to twelve when the Act was passed) branches in different sections of the country. This was intended to assuage the nation's distrust of New York City. The *Insiders* knew that the New York bank would totally dominate the rest. Warburg was correct, and the New York Federal Reserve Bank remains captain of the team.

There has been a great deal of debate over whether the Federal Reserve is a private system or merely another government bureaucracy like the Securities and Exchange Commission. It is true that the Federal Reserve Banks are "owned" by the private commercial banks within the System. That is, technically, they are not "owned" by the federal government. This has led many critics of the System to charge that the Fed is simply a monstrous money machine run for the private profit of the bankers who rake off tens of billions of dollars in secret profits each year. As proof, these critics point out that in its six decades of operation the Fed has never been subjected to an independent audit.

The lack of an audit is suspicious, but it is not in itself proof of the charge that there are secret Class A stockholders who annually skim billions in "profits." Apparently some critics have confused the existence of "Class A directors" with Class A stockholders. It is conceivable that there are secret owners of the System, but it is doubtful. The Federal Reserve System is crucial to the operations of the Establishment *Insiders*, but not in this way. The money game is far more sophisticated.

The idea that the Federal Reserve System is private because its stock is owned by the commercial banks is very misleading. According to Congressman Wright Patman, a longtime foe of the Federal Reserve and of the nation's big bankers:

> *. . . Misconceptions about the "ownership" have resulted from the fact that member banks own "stock" in the System. The word "stock" is a*

misnomer — in reality it is not stock in any generally accepted definition of the word.

Four points about this so-called "stock" clearly differentiate it from the ordinary meaning of the term:

First. It carries no proprietary interest. In this respect, the stock is unlike the stock of any private corporation;

Second. It cannot be sold or pledged for loans. It thus does not represent an ownership claim;

Third. In the event of the dissolution of the Federal Reserve banks, as provided for in the Federal Reserve Act, the net assets after payment of the liabilities and repayment of the stock go to the U.S. Treasury rather than the private banks; and

Fourth. The stock does not carry the ordinary voting rights of stock. The method of electing officers of the Federal Reserve banks is in no way connected to the amount of stock ownership. Instead, each bank in a district has one vote within its class, regardless of its stock ownership.

In a letter to Wright Patman dated April 18, 1941, Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve, explained:

This so-called stock ownership, however, is more in the nature of an enforced subscription to the capital of the Federal Reserve banks than an ownership in the usual sense. The stock cannot be sold, transferred, or hypothecated, nor can it be voted in accordance with the par value of the shares held. Thus, the smallest member bank has an equal vote with the largest. Member banks have no right to participate in earnings above the 6 percent statutory dividend, and upon liquidation any funds remaining after retirement of the stock revert to the Government.

So the "stock" that national banks have in the Federal Reserve is, in reality, a levy they are required to pay and for which they receive a six percent dividend. This is not a terribly attractive investment for banks since they could loan out this money at much higher rates to commercial customers.

While much time and heat are consumed arguing over whether the Federal Reserve is privately or publicly owned, the key point is not ownership of the System but control. Here, too, there is considerable misunderstanding. Much of the debate concerns whether the central bank should be controlled by the private corporate monopolists, who are conspiratorial socialists, or by the government bureaucratic socialists. These are false alternatives. Either way the value of our money and the productivity of the nation are subject to looting.

To understand the control mechanism we must return briefly to those thrilling days of yesteryear when the Morgan and Rockefeller families were seeking monopolistic control over the economy by infiltrating the government so they could design and carry out policies and legislation. A first step was to organize their people into a quasi-fraternal club that would pass *Insider* policy to those who front for the Establishment. In 1919 this organization was created and called the Council on Foreign Relations (C.F.R.).* Over the years, virtually every key man in the Federal Reserve System has been a member of the Morgan-Rockefeller C.F.R. Lest there be any doubt about who is the boss at the Council on Foreign Relations, remember that the chairman of the board is David Rockefeller, major

(*Continued on page seventy-five.*)

*The C.F.R. is dealt with extensively in the author's new book, *The Rockefeller File*, Seal Beach, California, '76 Press, 1976.

From page twenty-four

FEDERAL RESERVE

domo at Chase Manhattan Bank.*

Attending to David's interests (and they are enormous) at the Federal Reserve is Federal Reserve Board Chairman Arthur Burnsieg, an Austrian-born economist who now calls himself "Burns." Herr Burns is a longtime member of the Rockefeller family's C.F.R. and has been called "the President in all but name." This is an exaggeration since he does not make foreign policy. That is done by Henry Kissinger, another foreign-born operative who is not only a member of the Rockefeller family's C.F.R., but was on its payroll and the personal payroll of Nelson Rockefeller before being dispatched to Washington to relieve Richard Nixon of having to make any foreign policy decisions.†

Burns seems as eternal as Old Man River. He can produce inflation, recessions, or depressions, but he cannot be removed from office. Eight years remain of his fourteen-year appointment which runs through January 31, 1984. He is now in his second four-year term as F.R.B. Chairman and has made it clear that he means to retain his position come Hell or the Democrats. The *Los Angeles Times* of December 24, 1975, quoted Burns as proclaiming that he has no intention "of resigning his influential post no matter what happens in November."

"The Federal Reserve has been a citadel of non-partisan economic and financial analysis and policy," Burns claimed. "If the Fed chairman were to resign (after the election of a Democrat) I think it would tend to introduce a political dimension into Fed operations. And I wouldn't want to be the one to do that." David Rockefeller would not want him to either, although David likes Democrats as well as he does Republicans. David liked Burns' predecessor, William McChesney Martin, too. Martin, who like Burns usually said the correct thing and did the opposite, was also a member of the Rockefellers' Council on Foreign Relations.

Serving under Burns on the F.R.B. are Rockefeller-C.F.R. minions Henry Wallich, Bruce MacLaury, and Paul Volcker. (Another member of the C.F.R., Arthur Brimmer, recently resigned to devote full time to his teaching position at Harvard.) Volcker succeeded Alfred Hayes as president of the New York Federal Reserve Bank. Hayes, a C.F.R. member, had also been chairman of the ultra-important Federal Open Market Committee, which gave the Rockefeller people a stranglehold on the two most important jobs in the Federal Reserve. Volcker worked for the Rockefellers at their Chase Manhattan Bank before they moved him up to Undersecretary of the Treasury under Kennedy, Johnson, Nixon, and Ford.

Paul Volcker became the *bête noire* of hard-money advocates by foaming at the mouth at the mere mention of gold. He is credited with the wholesaling of much of our gold reserves to "foreign" purchasers at cut-rate prices just before the price of gold was released from its ceiling of thirty-five dollars an ounce. Sound money advocates hold Volcker responsible for the international monetary crises and attacks on the dollar over the past eight years. They believe that the Rockefellers, through their myriad foreign cor-

*The Chase Manhattan Bank was created by a merger between the Rockefellers' Chase Bank and the Warburg family's Manhattan Bank.

†You may recall that Nelson Rockefeller's confirmation Hearings revealed that Nelson bade his erstwhile employee *bon voyage* with a check for fifty thousand dollars. Only a Rockefeller could get away with calling this a gift and not a bribe. Kissinger can hardly make a decision which does not affect the worldwide interests of the Rockefellers.

porate and banking operations, have made hundreds of millions of dollars through manipulation of the foreign-exchange markets. Volcker has been rewarded for his work in dethroning the dollar by being given the pivotal assignment of running the Federal Reserve Bank of New York.*

A study of the Fed's Open Market Committee will reveal why the Rockefellers and their consorts are so vitally interested in control of the Federal Reserve. It will also reveal why the arguments over who really owns the Federal Reserve are simply a diversion.

For the first time in its sixty-two-year history, the popular press is beginning to carry stories on the operations of the Open Market Committee. One of the most revealing appeared in *Parade* for October 26, 1975. In an article entitled "Where Your Money Comes From," authors Alexander Cockburn and James Ridgeway report that more and more people are coming to realize that the nation's economic destiny is dependent on "the secret decisions of a group of important men called the Federal Open Market Committee."

Cockburn and Ridgeway inform us that, on the third Tuesday of every month, twelve men gather in Washington. After hours of secret debate they vote on decisions that affect the lives of every man, woman, and child in the United States. They meet in the closely guarded conference rooms of the Federal Reserve Board. The Committee is made up of five presidents of different Reserve Banks and seven governors of the Reserve Board. As *Parade* explains:

These are the men who create the money we all spend. Each month at their meetings they pore over charts, study economic indicators, receive special reports and argue among themselves whether or not to make more money. In effect, they determine whether you will be able to buy a car, can afford to take a vacation or buy a new home. Their decisions can affect the security of your job.

One man dominates the meetings. He is Dr. Arthur Burns, chairman of the Federal Reserve Board. Burns steers the discussion and usually it is his view that prevails.

Listening closely is another man — Alan R. Holmes [who like Burns is a member of the Rockefellers' C.F.R.]. *It is his job to implement the decisions of the committee. By the next day Holmes is back in New York and closeted with his staff on the eighth floor of the New York Federal Reserve Bank building in Wall Street. There, in the deepest secrecy they plot their strategy for the next week.*

During the early part of 1975 Holmes' mission was single-minded — to pump money into the stagnant market places. And how he does it is really quite simple.

If the Open Market Committee wants to create more money, then Holmes conjures it up out of thin air . . . .

Get that! Holmes the Magnificent conjures it up *out of thin air.* If you conjure up brand new money out of thin air in the confines of your basement, Big Brother will put you in the pokey for two decades or so — even if like Mr. Holmes you are only trying to "stimulate the economy." Here's how it all happens:

Holmes buys government securities from one of the two dozen big banks or dealers licensed to trade in them. In effect, he gives the dealer a check, drawn against the Federal Re-

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*It's a nice place to work. Last year the New York Federal Reserve Bank spent $1,372 to pay C.F.R. membership dues for its employees.

serve account. The dealer deposits this check with his bank and when the bank presents it to the Fed for collection, the Fed merely punches a few computer buttons and tells the bank that it has credited its reserve with the due amount.

So the bank has more reserves and thus can lend more money. Its borrowers find in turn that they can lend more, too. The sum the Fed has conjured out of thin air begins to circulate round the economic system. If Holmes writes out a lot of checks in one week, more money begins to circulate. Since the banks can make more loans, money becomes cheaper to borrow and hence business conditions pick up; loans for houses, cars, business activities are easier to obtain.

But how can the Fed write that check? Under law it has what amounts to an open-ended bank account. It can create money whenever it wants.

Another tool in the Fed's arsenal for creating inflation and bust is its ability to change the "reserve requirements" of member banks. *The Federal Reserve System*, published by the Fed itself, states: "It is because the Federal Reserve can regulate the volume of reserves available to banks that it can influence the availability, cost and supply of credit." These decisions are also made by the F.O.M.C.

"Everything," say Cockburn and Ridgeway, "is cloaked in the deepest secrecy." The Fed's foe, Congressman Wright Patman, calls the F.O.M.C. "one of our most secret societies. These 12 men decide what happens in the economy . . . . In making decisions they check with no one — not the President, not the Congress, not the people."

The minutes of the F.O.M.C. meetings, which even the President and the Secretary of the Treasury may not attend, are so secret that they are kept under lock and key and not released for the incredible time span of *six* years. This allows the statutes of limitations to run out on any crimes (such as conflict of interest) which may have been committed. After six years the minutes are only of interest to obscure monetary historians or Ph.D. candidates in economics. (Just think, you can now see the minutes for 1970.) A very general summation of the decisions made at F.O.M.C. meetings are, however, released after ninety days. Columnist Nicholas von Hoffman describes the language of the summary as "so darkly Delphic that even men who've put in a lifetime of learning about our monetary system have trouble figuring out what the Fed has said it is doing."

According to an article in the *Wall Street Journal* of March 11, 1975, Chairman Burns maintains a "quicker release would only help speculators make a killing."

Precisely. If you know in advance whether the Fed is going to follow an expansionary or restrictive monetary policy, whether interest rates or reserve requirements are going to be liberalized or tightened, you have an opportunity to make a killing. If you are an expert in high finance, it is the equivalent of having next month's newspaper today. You would know whether it is a good time to go long or sell short in the stock market or on the commodities exchanges. You would have the jump on competitors as to whether it was a good time to borrow money or play the international currency market (where tremendous leverage is available). As Burns admits, you could "make a killing."

So now you see why *ownership* of the Federal Reserve is not nearly so important as control. If you have the information in advance, there are vast opportunities for profit in whichever direction the economy is going to move. And, according to the *Washington Post* of July 23, 1975, citing a report from Congressman Patman, officers of the Federal Reserve own more than one hundred million dollars' worth of stocks while making decisions affecting the prices of those stocks. Talk about conflict of interest!!

Are we to assume that these men gamely watch their stocks sink during a period of contraction, or refrain from buying stock during a period of expansion simply because they want to play the game according to Hoyle? More importantly, are we to believe that Arthur Burns, Paul Volcker, and Alan Holmes never whisper in David Rockefeller's ear, telling him on which number the ball on the Federal Reserve roulette wheel is going to land? Are we to believe that David never whispers in their ears when he wants the slot machine to pay off? Be serious.

All those members of the Rockefellers' Council on Foreign Relations did not find their way into the key positions of the Federal Reserve by accident. David is neither the Easter Bunny nor the Tooth Fairy. He is interested in making huge profits and in solidifying his family's control over the U.S. economy. He knows the surest way to do this is by buying the U.S. Government. It's a bargain at twice the price. "Ever since [*1913*]," Patman declares, "the New York bankers have dominated Federal Reserve policy — a case of the tail wagging the dog."

Still another way in which Burns & Company can help Lord David and his fellow conspirators is through Federal Reserve bailouts of troubled operations in which the banking *Insiders* have stock or loans. Lockheed and the Penn Central Railroad are two examples. There are others. Before President Ford finally threw in the towel and agreed to save the sinking New York City, Arthur Burns had already made it perfectly clear that the Federal Reserve would step in if necessary to protect the banks. Chase Manhattan has a tremendous portfolio of Fun City's gilt-edged paper. The Chase was recently in trouble with shaky loans on Real Estate Investment Trusts, to cite another case, until Burns suggested other banks make loans to spread the risk. Chase Manhattan has a friend at the Federal Reserve. After all, it was the Rockefellers, along with the Morgans and Warburgs, who arranged the creation of the Fed. Given the time and circumstances, only the naïve would believe that the System's creators did not build in their own mechanism for control.

The Federal Reserve was sold to skeptics in 1913 as a means of ending forever the boom-bust cycles which had periodically (if briefly) afflicted the country. Americans were promised by the Establishment *Insiders*, cross their hearts and hope to die, that there would never, never be another depression. Any time a depression threatened, so the country was told, the Fed would step in and "get things going again" with its magical ability to expand the "elastic" money supply. How has this all worked out in practice?

Following the creation of the Fed, with its engine for inflating the currency, we were pushed into World War I. What luck, said the gullible, we could not have financed the war without it! Exactly. The federal Debt was spun out from one billion dollars to eight billion through the Federal Reserve System — much of it acquired by money manufactured "out of thin air" by those farsighted and civic-minded fellows named Rockefeller, Morgan, and Warburg, who established the Federal Reserve System.

Having created a boom during the war, these same *Insiders* arranged through the Federal Reserve to throw the economy into reverse in 1921 by contracting money and credit, producing a severe two-year depression. Congressman Charles Lindbergh warned that after establishment of the Federal Reserve "depressions will be scientifically created." How right he was. By knowing what monetary policy would be, *Insiders* could sell their shares at the top of the market and buy them back at bargain prices in the depths of the depression.

The scheme worked so well in 1921 that the *Insiders* decided to repeat it. From 1923 to 1929 they rocketed the market to unheard of heights by making artificially created credit abundantly available and encouraging unrealistic orgies of speculation. After six years of pumping up the economic balloon, they then used the Federal Reserve to stick a nail in it. Money and credit were sharply contracted and the deflated stock market, with no helium to hold it up, sank like a rock. Lyndley Clark described the situation in the *Wall Street Journal* of September 4, 1974:

The most tragic aspect of the whole episode is that it need not have happened — at least, not in anything like the severity it attained. The Federal Reserve System really blew it. [Sic!] *During the 1920s the system seemed to be learning its role, but after 1929 it went all to pieces, allowing the money stock to shrink by one-third between 1929 and 1933. Other factors contributed to the debacle, but an intelligent performance by the Fed could have offset them.*

The point is that the Fed *didn't* choke. Remember that "elastic currency" which was forever going to protect us from depressions? The elastic was shrunk, not stretched. Are we supposed to believe that the Federal Reserve Board had no idea what would happen when it cut the money supply by thirty-three percent?

How would you like to have been tipped off in the summer of 1929 that the Fed was going to throw the money machine into reverse? You wouldn't have to be a quiz kid to know it was time to sell your securities and go short so you could profit from the roller coaster ride down the Dow Jones Averages. By 1933, thanks to the Federal Reserve, the Dow Jones had shrunk by an incredible ninety-five percent. Now you could re-invest the profits you made when you sold out in the summer of 1929 and buy some real bargains. My, wouldn't life be beautiful?

The scalping worked so well again that the *Insiders* decided to repeat it in 1937. And in 1948. And 1953. And 1956, 1960, 1966, and 1970. If you chart Federal Reserve monetary policy against the Dow Jones Average you will see without a doubt that booms and busts are now "scientifically created."

In *Newsweek* of December 8, 1975, Dr. Milton Friedman confirms the Fed's role in creating economic upheaval:

Erratic swings in monetary growth are not a new phenomenon. They have been the major defect in Federal Reserve performance over the whole of its 62-year history. Unduly rapid growth fueled the great inflations of World Wars I and II and the more recent double-digit inflation of 1974. Unduly slow growth or actual decline produced or deepened the sharp contractions of 1920–21, 1929–33 and 1937–38, as well as the milder recessions of the whole period.

Of course, now we don't have depressions. We call them recessions. We had one in 1971, but the Fed cranked up a boomlet to re-elect Richard Nixon in 1972. We have just had another recession, and if my watch is correct it is about time for the Fed to open the money gates and let the inflation roll for 1976.

The outstanding free market economist Dr. Murray Rothbard sums up:

> *So now we see, at last, that the business cycle is brought about, not by any mysterious failings of the free market economy, but quite the opposite: By systematic intervention by government in the market process. Government* [Federal Reserve] *intervention brings about bank expansion and inflation, and, when the inflation comes to an end, the subsequent depression-adjustment comes into play.*

Each recession brings with it more federal spending on new or expanded Welfare programs and more and more controls over genuine private enterprise. One might call it "the recession road to socialism." The *Insiders* can make enormous profits as they take over more and more control of our government, our economy, and our lives. One has to wonder if an intelligent man like Lyndley Clark really believes this is because the boys at the Federal Reserve have been "blowing it."

If the Federal Reserve was designed to end forever the business cycles of boom and bust, it has been a colossal failure. If it was intended to "scientifically create" such cycles, as Congressman Lindbergh claimed, it has been an enormous success. You will have to decide for yourself whether the Federal Reserve, created by the collectivist barons of Wall Street, has for sixty-two years been run by dolts, or whether their zigs and zags of monetary policy represent brilliant planning.

Whatever the case, this operation has put us in hock up to our eyeballs. You will recall that at the beginning of this article we said that the graduated income tax and the Federal Reserve System were created to complement one another. The income tax allowed the government greatly to multiply its spending. When the income tax and the Federal Reserve were created, the per capita federal tax collected in the United States was $1.68. Now the per head confiscation is over five hundred dollars, and this does not take into consideration the indirect taxes on consumers in the form of corporate income taxes — which have escalated from fifty-seven million dollars to forty-eight billion dollars. The victory by the people over the "special interests" has not come cheap.

The Federal Reserve Act allowed the *Insiders* to put the government deeply in debt to themselves, while the Income Tax Amendment guaranteed an unending supply of money to pay for it. Between the Declaration of Independence and the creation of the Federal Reserve, the National Debt had been run up to a little over a billion dollars. This despite the fact that we had fought the Revolutionary War, the War of 1812, the Mexican War, the Civil War, and the Spanish-American War. The per person share of the National Debt amounted to a puny $12.02. Today, given the blessings of the Federal Reserve, the National Debt stands at six hundred billion dollars, and each American owes twenty-eight hundred dollars of that.

We are now paying over thirty billion dollars per year in taxes just to meet the interest on that Debt. A sizable part of this goes to the big banks, many of which are controlled by the descendants of those who foisted the Federal Reserve System on a naïve America. And this thirty billion dollars is climbing rapidly as the government runs up bigger and bigger deficits and as inflation pushes interest rates higher and higher. It has become so outrageous that even "Liberals" hardly ever try to tell us that "we owe it to ourselves." We don't owe it to ourselves. We owe it to the banks; and to government trust funds which took our tax money in the first place, spent it, and replaced it with bonds so that we will have to continue paying in perpetuity.

Despite that fact the government takes about forty-three percent of all we make (twenty-eight percent at the federal level and fifteen percent at all other levels), it spends much more than it dares to tax. The difference is made up by borrowing. For example, this year, that tight-fisted "Conservative," Gerald Ford, is probably going to run a deficit of at least seventy billion dollars. The Federal Reserve System will be responsible for spinning off that seventy billion dollars in deficit. If it refused, Congress would be forced to balance the Budget. So the Open Market Committee will peddle the Debt to individuals, insurance companies, government and private trust funds, corporations, and banks. If need be, it will buy the bonds itself.

If the Federal Reserve borrows the money from individuals, corporations, private pension funds, insurance companies, and the like, it is not inflationary. The government will merely be soaking up potential private capital desperately needed to modernize and expand our economy. But, if the Fed unloads the Debt onto private banks, the bonds are *monetized* — turned into brand new "money" — which is inflationary. The bank creates the "money," to buy the bonds, "out of thin air." In other words, the bonds cost the banks nothing to obtain, but you will pay the interest on them by the sweat of your brow until they are retired. In reality, of course, they are never retired. So you can see why the great bankers, supposedly bulwarks of Conservatism, do not get upset about federal deficit spending.

If the Federal Reserve buys the bonds for its own account, it simply prints the money with which to pay for them. Obviously, this is inflationary. The Federal Reserve now owns over eighty billion dollars in government bonds and receives the interest on them annually. What monies do not go for overhead are said to be returned to the Treasury.

The Federal Reserve is both directly and indirectly responsible for the inflation which plagues America. Yet, while a recent Roper poll found that eighty-three percent of Americans consider inflation to be the government's most urgent problem, few understand what causes it. According to a Harris poll released on October 23, 1975, the public ranks the Federal Reserve Board as eighteenth out of nineteen "causes" of inflation. Federal spending is ranked ninth. Yet, without these two working together, there could be no inflation.

When the cost of living jumps — as it does now every month — the mass media wring their hands and squeak about "inflation." There is much talk about greedy businessmen and selfish unions. Virtually nobody in the mass media ever names the real culprits — the Federal Reserve and Congress — which could stop inflation *cold* tomorrow morning. As a consequence, the vast majority of the American people are confused over what *causes* inflation and frustrated over how to stop it.

The fact is that what we are all suffering from is *inflation of the* *money supply*. For a standard definition of *inflation* one has but to turn to *Webster's New World Dictionary*, where we find it defined as "an increase in the amount of currency in circulation, resulting in a relatively sharp and sudden fall in its value and rise in prices; it may be caused by an increase in the volume of paper money issued or gold mined."

The world's supply of gold has increased only in miniscule amounts, but the supply of our paper money has been inflated (increased) by the proverbial leaps and bounds. When the Federal Reserve Act was passed the per capita money supply was $148 per person. By 1932 it was up to $365. Now the money supply is nearly $3,500 per person. It *doubled* during the Nixon era. That is currency inflation! And the American Institute for Economic Research tells us that government's inflationary policies have during the past forty years resulted in the embezzlement (the Institute's word) of nearly one trillion dollars of the purchasing power of the American people. This is the Institute's measure of the depreciation in value of the people's savings.

What now? From July 1973 to March 1974, the cost of living mushroomed by 12.3 percent. During the second half of 1975, the Federal Reserve kept the money supply level and the cost of living increased only eight or nine percent.* But almost all sources are predicting that double-digit inflation (actually an increase in the cost of living) will return in 1976 as the Federal Reserve attempts to "get the economy moving" during an election year.

We are between a rock and a hard place. Dr. Gary North has called our current situation "the economics of addiction." The explanation is as follows: The Federal Reserve inflates the money supply to "get the economy moving." It works, but soon the effects wear off and another injection of inflationary money is needed. The same thing happens over and over until the economy is hooked in much the same way as a heroin addict. Each time more dope is required to prevent the withdrawal symptoms of recession. The printing presses run faster and faster. If they are stopped, a recession or depression ensues.

The longer this vicious circle goes on, the worse the consequences. Politicians want more inflation all the time because depressions are political poison. Generally ignorant of economic history, they hope to control the consequences of inflation with wage and price controls. It has never worked. Wage and price controls always produce shortages and black markets. But if inflation is allowed to run unchecked, you eventually reach runaway inflation as in Germany in 1923, where everyone has bushel baskets full of currency with no buying power. We will all be multimillionaires, but we will not be able to afford a Big Mac.

There is no painless solution to this problem. To get out of this predicament with the least damage and dislocation we must do four things.

1. To the degree possible, we must produce our way out of our problem. This means abolishing the myriad government bureaus which harass businessmen and suppress production. Taxes must be lowered and expenses cut by ending welfare to lazy businessmen and people who won't work.

*While there is a direct relationship between the increasing of the money supply and the increasing cost of living, a time factor is involved as the new money percolates through the economy bidding up prices. So the cost of living can continue to climb for a time even after the Federal Reserve temporarily halts the printing presses.

2. Deficit spending by the government must be stopped immediately and the federal Budget must be balanced.

3. Article I, Section 8, Clause 5 of the Constitution of the United States declares that only Congress has the power "to coin money" and to "regulate the value thereof." Article 1, Section 10, Clause 1 says the states may not "make any thing but gold and silver coin a tender in payment of debts . . . ." This means that the Federal Reserve Note currency used today is illegal and unconstitutional. It is printing-press money backed only by bonds which also come off a printing press. We must restore gold and silver backing behind our money system so that politicians and bankers may not manipulate its value for their own ends.

4. The Federal Reserve System, keystone of Establishment Socialism and phony money in this country, must be abolished. The money manipulators must be sent home to earn a living the best way they can.

Today, after decades of almost total silence we are hearing calls for "reforms" in the Federal Reserve System. Congressman Patman wants a comprehensive audit by the General Accounting Office. The Texas Populist points out that this agency, which engages in transactions totalling more than thirty trillion dollars annually, has never been subjected to a comprehensive audit. Patman has been trying for a number of years to get an audit bill through both Houses of Congress, but has been effectively resisted by the Federal Reserve and the banking industry. Dr. Burns maintains that an audit is a threat to the independence of the Fed. And Burns and his backers have been able to put enough pressure on Congress to prevent passage of the Patman bill, even in the wake of Watergate when secrecy in government is in disrepute.

A complete audit of the Fed is obviously long overdue. But that is not the only "reform" which is being proposed. Senator Hubert Humphrey has introduced S. 2540 to reorganize the Federal Reserve System and put it under Congressional control. According to the loquacious Hubert: "I have proposed tax cuts and programs, and I know they cost money. Unless this Federal Reserve Board cooperates, nothing is going to work . . . . I think it is time it was made more responsive to the Congress and the people . . . . I think it is time that someone in the Federal Reserve Board speak up for labor, for the consumer, for the farmers or the smaller businessman . . . ."

You see, Humphrey has also introduced S. 1795 which would bring total socialism through "economic planning." What he wants to do is to wed radical economic planning under the control of Congress to direct political control over the Federal Reserve System. This would make a horrible situation infinitely worse.

Our point is that the Federal Reserve cannot be reformed. You cannot reform something which is intrinsically wrong. But it can, and should, be abolished. Americanists working for abolition should take advantage of the fact that the Federal Reserve is at last becoming an issue which concerns the American public. When they are listening, the people *can* be educated. And they are now very interested in learning what they can about the *Insiders* behind the Federal Reserve and how they are using it to loot and despoil our economy. ■ ■