



U.P.I.

## Federal Reserve Chairman Paul **VOLCKER**

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■ **PAUL ADOLPH VOLCKER**, new chairman of the Federal Reserve, is the second most powerful public official in the United States. There are those who would contend that the Federal Reserve chairman is even more powerful than the man in the White House, but the debate is mostly academic. Volcker, unknown to most Americans until his appointment two months

ago, is as much a creation of David Rockefeller as the man who appointed him. Carter was a former governor plucked from anonymity by Rockefeller, who invited the peanut farmer to serve on his newly created Trilateral Commission with some of the world's leading international operators. Of the eighty U.S. elitists chosen for David's little Commission, eigh-

teen now hold high posts in the Carter Administration. The number is nineteen if you count Volcker, who is theoretically "independent" as chairman of the Fed.\*

The symphony of praise offered by the nation's Establishment media to celebrate the Volcker appointment has been unparalleled since Richard Nixon named Henry Kissinger to the post of National Security Advisor. Like Volcker, Kissinger is a Rockefeller protégé who is a member of both the Trilateral Commission and the Council on Foreign Relations. Now that Henry has returned from Washington to New York the media make no bones about his ties with the Daddy Oilbucks family. Years from now, when it matters little, the same will be openly admitted of Volcker.

For now, Paul A. Volcker is hailed as a monetary Moses destined to lead us out of the financial wilderness. Leading the cheers for the new front man at the Fed was the *New York Times*, long the voice of the Eastern "Liberal" Establishment. On the day following the announcement of Volcker's appointment, the *Times* carried two front-page news stories and a feature editorial on the appointee. In an article headlined "Choice of New York Reserve Chief Is Applauded by Business Leaders," readers were assured that the businessmen of America are thrilled with Volcker's appointment. The first

leader quoted was Gabriel Hauge, retired chairman of the Manufacturers Hanover Trust Company and a former economic advisor to President Eisenhower. Hauge was succinct, saying: "Seldom has President Carter used his appointive power so well." The *Times* does not mention that Hauge has for several decades been a member of David Rockefeller's secretive Council on Foreign Relations, where he is Treasurer and David is Chairman.

The other business leader to rave about the appointment of Volcker in the *Times* account was no less than his former employer, David Rockefeller. According to the Rock who's got a piece of you, Volcker is "eminently qualified" and "Paul is a tough and determined person" entirely capable of resisting political pressures in shaping monetary policies — "which doesn't mean he would be unaware of political realities."

The *Times* does reveal that Volcker worked for David Rockefeller at Chase Manhattan Bank "for approximately five years between stints at the Treasury and the New York Federal Reserve." But it does not mention that Volcker is a trustee of David's Council on Foreign Relations and a member of his Trilateral Commission. And no other American "Business Leaders" except Hauge and Rockefeller are quoted in the story. In the mind of the *Times*, Hauge and Rockefeller obviously speak for the entire American business community.

Another feature in the same issue of the *Times* proclaims in its headlines that Volcker is a "Consummate Monetary Tactician." In the day's front-page feature article, Mr. Volcker is headlined as "A Conservative Choice" and described as "an independent minded fiscal conservative" whose appointment "was aimed at reassuring Wall Street and the busi-

\*The Trilateral Commission, of which David Rockefeller is Chairman of the Board, is composed of citizens from North America, Western Europe, and Japan — all selected by Mr. Rockefeller. The goal of this organization, like that of the Council on Foreign Relations of which Rockefeller is also Chairman of the Board, is to bring about a "New World Order," a euphemism for World Government. According to Trilateral publications, it would first be a government of the advanced industrial nations, with the underdeveloped and Communist nations to be brought in when convenient.

**Fed chairman Paul Volcker is touted as conservative and independent. He was in fact trained at the radical London School of Economics. Repeatedly on the Rockefeller payroll, he is a trustee of their Council on Foreign Relations, a member of their Trilateral Commission, and a trustee of the Rockefeller Foundation.**

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ness community of the Administration's commitment to fight against inflation and for a strong dollar." You've noticed, of course, how wonderfully well the Carterites have been doing in their "commitment" to fight inflation and protect the value of the dollar. There was nothing at all subtle about the *Times* buildup of the new Federal Reserve chairman. On the editorial page the flak continued in a commentary titled "Straight and Narrow With Mr. Volcker," which contained the following:

"There were sighs of relief from Zurich to Tokyo yesterday: President Carter may be shuffling economists, but he is not shuffling economic policies. The nomination of Paul Volcker to replace G. William Miller as chairman of the Federal Reserve Board assures that moderate, independent leadership for the agency, which controls interest rates and the supply of money, will continue. Mr. Volcker is the logical choice for the job. Early in his career he worked on the staff of the Federal Reserve and then did a turn as a private bank economist [for the Rockefeller family's Chase Manhattan]. As Undersecretary of the Treasury for Monetary Affairs for five years during the Nixon Administration, he became known as competent technically and sensitive to the complex psychology of international

finance, which must never be discounted. Since 1975 he has been president of the New York Federal Reserve Bank, a position that effectively made him the second most powerful voice in Federal Reserve decisions.

"Thus the Fed isn't likely to make any sudden shifts. Mr. Volcker, after all, helped formulate the board's current cautious, pragmatic stance toward the economy . . .

"Mr. Volcker is widely viewed as a defender of a strong dollar. He is not, in fact, likely to find it much easier than his predecessor to reconcile that goal with domestic economic growth. But the confidence that the international banking world evidently places in the chairman-designate should help . . . [By] filling the chair at the Federal Reserve with a strong, independent personality, Mr. Carter seems determined to avoid pacts with economic devils. This is a sound appointment."

It is true, as the *Times* suggests, that Volcker has over recent years been the chief decision maker behind the monetary scenes. But, the *Times* makes it sound as if what we need is more of the same. As it happens, Volcker has made policy at the scene of more disasters than Typhoid Mary. It was Paul Volcker who supervised the passing out of our nearly two-hundred-year accumulation of gold

at bargain-basement prices that haven't been seen even at Macy's since *The Miracle On 34th Street*. We don't doubt that in Tokyo and Zurich the sake and champagne were flowing in celebration. The prospects of picking up the rest of America's gold and sinking the dollar to one-to-one parity with the yen doubtless produced more jubilation than New Year's Eve in Times Square.

When the weekly newsmagazines hit the stands, the hosannahs continued. *Time* offered a feature titled: "Volcker to the Rescue — A towering moneyman to impress the gnomes of Europe." Based upon Paul Volcker's past performance, the gnomes were licking their little chops in anticipation of a golden treat. Yet *Time* actually claimed that the appointment represents a "brilliant defense of the dollar," continuing:

"Said usually testy Senate Banking Committee Chairman William Proxmire: 'The President has shown outstanding judgment. His appointment will be praised by Congress, by participants in domestic financial markets and by the international monetary community.' Added the Brookings Institution's Robert Solomon [C.F.R.]: 'The President couldn't have found a better man.' The stock market shot up, bond prices improved, and, despite Carter's lack of new programs to support the dollar, it temporarily recovered slightly on overseas markets, mainly on the basis of Volcker's reputation as a conservative defender of the dollar."

*Time* did not mention that the stock market was uptrending anyway, and it has since plummeted. In the month following Volcker's appointment, gold leaped fifteen dollars an ounce, mostly on European buying. While the Europeans have been courteously praising the Volcker selection, it is obvious from where they are put-

ting their money that they don't believe the propaganda that the six feet, seven inch Volcker is Jack the Inflation Killer.

*Time* also informed us that "At least three people turned down the top Fed job: David Rockefeller [C.F.R., T.C.] of the Chase Manhattan Bank. A.W. Clausen of Bank of America and Robert Roosa [C.F.R.] of Brown Brothers Harriman & Co. investment bankers. The final choice came down to Volcker and Bruce MacLaury [C.F.R., T.C.], president of Brookings." It is not surprising that Carter first offered the job to his chief benefactor. Protocol you know.\*

*Newsweek*, a commercial but not ideological rival of *Time*, ran a feature on Volcker headed "Big Man For A Big Job." With ties to the Rockefeller C.F.R. and T.C. as extensive and intertwined as those of *Time*, one was not surprised to read of Volcker in *Newsweek*: "Among bankers, economists and the world's finance ministers, he has earned a reputation as a brilliant monetary technician and adept diplomat." *Newsweek* also described the new Fedhead as "an experienced monetary hard-liner." Even *U.S. News & World Report*, long the least "Liberal" of the big three newsmagazines, joined in praise for Volcker, pontificating: "Economists and bankers describe Volcker, president of the New York Federal Reserve Bank, as a forceful, independent man not likely to give in to pressures from the White House. His nomination blunts any fears that 'monetary policy may become politicized,' says Henry Kaufman [C.F.R.] of Solomon Brothers, a Wall Street investment firm."

\*At the same time Carter was tapping Volcker he was appointing Hedley Donovan, retired editor-in-chief of *Time*, as a special advisor. Donovan is another C.F.R. trustee and a member of the Trilateral Commission.

**Volcker helped to push the looting of America's gold supplies, arranged two devaluations, and pushed further inflation and war on the dollar. It was he who led the effort to demonetize gold in favor of bookkeeping entries as part of another international banking grab. His appointment now threatens economic bust.**

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It might "become politicized"? The Federal Reserve has been politicized since it was created in 1913 by many of the same men who later founded the C.F.R. Proof that it has been is as near as the wallet on which you are sitting. In 1913 the cash in that wallet was fully convertible into gold at the U.S. Treasury. Today, your Federal Reserve notes are fully convertible into other Federal Reserve notes. In 1913, the Treasury could issue no money which was not fully backed by gold in Fort Knox or other official depositories. Now you have fiat money, thanks to the "independent" Federal Reserve which could have refused to deal in the unconstitutional funny money with which our C.F.R.-controlled Presidents have swamped us without opposition from Congress. It is largely the fault of the politicized Federal Reserve that the 1979 mini-dollar buys only about one-tenth as much as did the golden dollar of 1913.

To suggest, as does *U.S. News*, that Volcker will be independent and above pressure is as naïve as believing that wrestling matches are the real thing. Volcker has *twice* been on David Rockefeller's payroll. When Henry Kissinger finished his contribution to building the Rockefellers' New World Order, he too went on the official payroll of his friends at

Chase Manhattan. There is little doubt that after Volcker has finished his new job for David & Company he will once again officially "rejoin" the Rockefeller team.

Even the *Wall Street Journal*, which certainly knows better, described Volcker as a "widely respected, generally conservative economist." The *Journal's* headlines tell the story: "Balm for Business; Volcker's Nomination As Chairman of the Fed Is Being Widely Hailed; Cheers for the Conservative Contrast With Reaction After the Cabinet Purge." And the other major journal of American business, *Fortune*, gave Volcker the same kind of Madison Avenue buildup with a full-page color photo of the new man at the Fed and huge block letters announcing: "A Real Inflation Fighter Takes charge at the Fed: Paul Volcker looks like our best hope yet for getting the money supply under control."

So what is going on here? Normally the appointment of a new Federal Reserve chairman attracts about as much attention as a dowager at the Miss America contest. Why has Volcker been given a buildup worthy of a Hollywood press agent? Why have Americans been told over and over again that Paul A. Volcker is virtually the reincarnation of James Madison? What is behind this effort

to convince Americans they are in better hands than with Allstate?

There are a sizable number of defectors from the unanimity of the Establishment media on this matter. They are the doughty band of conservative economists and financial commentators whose investment letters sell for as much as six hundred dollars a year. They were known derisively for a time as "the gold bugs." But, since the price of gold has increased nine hundred percent in the last decade, while the purchasing power of the dollar has been sliced in half, "Liberals" aren't quite as nasty about these advisors as they used to be. Unfortunately, the hard-money financial letters reach less than one percent of the nation, while the *New York Times*, *Time* magazine, *Newsweek*, *U.S. News*, the *Wall Street Journal*, and *Fortune* reach tens of millions and collectively manipulate the investment thinking of almost all of Middle America.

The contrast between the private economic press and the Establishment propaganda mills is shocking. For instance James Dines, the original gold bug, wrote in his *Dines Letter* of August 3, 1979: "Of all the discouragements your editor has had in this long odyssey, Volcker's selection has been by far the worst. Carter has put Dracula in charge of the blood bank. To us, it means a crash and depression in the 1980s is more certain than ever."

Colonel E.C. Harwood, founder of the American Institute for Economic Research and over more than forty years a leading fighter for sound money, points out in his *Research Reports* for August 6, 1979, that the emperor Volcker is naked. Harwood says: "Paul Volcker is from the same mold as the unsound money men who have misguided the monetary actions of this nation for the past 5 decades. The

policies of the Fed under his direction as Chairman of the Board of Governors probably will be little different from earlier Fed policies, and the outcome probably will be equally as disastrous for the dollar and the U.S. economy."

Commenting on Volcker's statement at confirmation Hearings before the Senate Banking Committee that "There is no substitute for monetary discipline," Colonel Harwood declared: "We might have been impressed by such testimony had we no memory of every monetary official saying similar beguiling things, even as the monetary press was speeded up another notch. Remember Arthur Burns? If under his chairmanship the Fed had done what he often said should be done, inflating probably would not be a problem today. Instead, Dr. Burns' reign as chairman of the Fed was indistinguishable from earlier Fed years with reference to the inflationary policies of this nation. G. William Miller's reign has been the same."

Harwood is certainly not fooled by all the hoopla about Volcker's alleged independence. As this distinguished economist says: "The shameful record of failure of U.S. money managers to protect the value of the dollar leaves dedicated interventionists undaunted; and Mr. Volcker is a dedicated interventionist. Not reported in the popular press is the fact that Mr. Volcker is a director of the Council on Foreign Relations and a member of the Trilateral Commission . . . . As Chairman of the Fed Board of Governors he will be in a helpful position to bail out his banking associates with more paper money and to guide the Nation closer to the straitjacket of central control."

Bert Dohmen-Ramirez relates in his *Wellington Financial Letter*: "It is possible that the U.S. economy may

fall into a deflationary depression as a result of an event like war in the Mideast or the failure of a large bank. However, with Fed Chairman Volcker and Treasury Secretary Miller heading the Washington easy-money crowd, we are sure they will lead the U.S. in the opposite direction, which is runaway inflation."

In his newsletter *Hard Facts*, economist Michael Linden writes: "The new Chairman of the Federal Reserve Board is Paul Volcker, a man with a passionate and unreasoning hatred of gold and the discipline it imposes. We can now expect the rape of the U.S. gold supply to continue — possibly at an accelerated pace!"

James Sibbet declares in the July 26, 1979, issue of his *Let's Talk Silver & Gold*: "After Keynes, I consider Paul Volcker to be the Chief Architect of inflation. Yet reading the papers one would think he is a conservative who will fight inflation and strengthen the dollar. People have short memories. Paul Volcker caused government to try to demonetize gold. Just going off the gold standard wasn't enough to Paul Volcker. As an inflationist he rightly believed gold to be his chief enemy. So he deliberately set out to destroy gold's traditional role as a monetary reserve. He thought that by sufficient propaganda, laws, rules and gold sales by the IMF and U.S. Treasury, he could con the world into believing gold was just another commodity with no monetary function. To credit his ability as a con artist, many believed him, such as Congressman Reuss [*Chairman of the House Banking Committee*] who often predicted gold would go down to \$5

\*Readers should write to the Congressman and ask him where they may purchase some of that gold at five dollars an ounce. As of the time this is written, monetary expert Reuss is off the mark by a mere three hundred thirty-five dollars an ounce.

[an ounce].\* Now Paul Volcker has been appointed to maintain dollar credibility. You may expect a new barrage of anti-gold propaganda. The reason he fears gold so much is that gold is the only real restraint on a spend-thrift government and Paul Volcker knows it. Volcker failed miserably in destroying gold. Instead he destroyed the dollar."

In all of the tub-thumping hoopla for the new Fedhead, nothing was said in the *New York Times*, *Time*, *Newsweek*, *U.S. News*, the *Wall Street Journal*, or *Fortune* about the fact that Volcker had masterminded the U.S. Government's war on gold, largely emptying the coffers at Fort Knox. The fact that the Establishment media did not consider this worthy of a single sentence as gold was reaching new all-time highs on the international markets, and when bids at the U.S. Treasury sale and the I.M.F. sale were pushing the price even higher, is absolutely incredible. The authors of these articles were international specialists in finance, and for them totally to ignore the subject of gold even as it was reaching for three hundred fifteen dollars an ounce was like Mrs. Lincoln commenting that nothing unusual happened at the play.

Volcker's chief nemesis among the hard-money men is expatriate Harry Schultz, who publishes the *Harry Schultz Letter* from London. He has hounded Volcker at international monetary meetings and through his *Letter* for fifteen years. Their dislike is mutual. Schultz refers to Volcker by his middle name, spelling it Adolf, because he says Volcker hates gold as passionately as did the Austrian Corporal and "because he was a Fuehrer in the U.S. Treasury where he used to run and ruin U.S. monetary policy." Schultz writes:

"I have seen Adolf in action face  
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## PAUL VOLCKER

to face at IMF meetings around the world over the years and the slobbering lies that dribble from his lips, the sarcasm, distortions and intimidation at cocktail parties sickened me. He is more monster than man . . . I assure you that . . . Adolf Volcker [is] a serious threat to your freedom. Adolf, by damning gold and letting it out of the U.S. and designing policies to expedite that, has robbed the U.S. and undermined the dollar and discredited the U.S. image, and fostered inflation. Adolf is the single human alive most responsible for inflation in the world today."

Of course Chairman Volcker is the very prototype of the Establishment Insider. But, unlike many of the *Insiders*, Volcker was not born into the conspiracy. The son of a New Jersey city manager, he was graduated *summa cum laude* from Princeton and then earned a master's degree in economics and government from Harvard. Paul Adolph Volcker then went one step further to the Left and did doctoral work at the Rockefeller-backed London School of Economics, long a bastion of Fabian Socialism. Before completing his dissertation, he recrossed the Atlantic to take a job as an economist with the New York Fed, kingpin of the Federal Reserve System. Whatever else he may be, Volcker was not playing hooky when the brains were distributed.

After four years with the New York Fed, Mr. Volcker was jumped to Chase Manhattan and the lap of David Rockefeller. The next step was a stint with the U.S. Treasury from 1961 to 1965, where he supervised the fire sale at Fort Knox. Having pulled a job that made the Brinks heist look like a candy-store ripoff, Paul Adolph moved back to David's bank and was

rewarded with a vice presidency and made director of planning.

In those days there was certainly no pretense that Volcker was any kind of a conservative. He was an active Democrat, and there simply are no Conservative Democrats from Princeton, Harvard, and the London School of Economics. But, like most of the other Establishment *Insiders*, Volcker is equally at home in either a Democrat or Republican Administration. In 1969, Richard Nixon paid part of his own Rockefeller dues by making Volcker his Under Secretary of the Treasury for Monetary Affairs, with special responsibility for international economic policy. During the next six years Paul Adolph Volcker arranged two devaluations of the dollar and began to be called "the Henry Kissinger of monetary policy" because it seemed to the press that he was always on a plane bound for secret dealings in some foreign capital. The appellation was supposed to be complimentary, but it was accurate only in the sense that both men were *Insider* technicians leading the country from one disaster to another. After his second term of service in Treasury for the *Insiders*, Volcker's reward was to be made president of the Federal Reserve Bank of New York at an annual salary of \$110,000 a year.

As Paul Volcker found the way to promotion and pay he had been invited into the Council on Foreign Relations and then brought into the inner sanctum as a trustee and officer. The Rockefellers always reward those who provide major services for the family, and he was now made a trustee of the Rockefeller Foundation. Finally, David tapped him for membership in the new and very exclusive Trilateral Commission. The man was as far inside as one gets without actually being a Rockefeller.

Little wonder that President Car-

ter's nomination of Volcker went through the Senate slicker than a knife through butter on a hot July day in Georgia. Despite the obvious conflict of interest resulting from his long-time close connections with the Rockefellers and Chase Manhattan, not a single Senator asked Paul Adolph about any of this. Nor was he questioned about the secretive Council on Foreign Relations, the Trilateral Commission, or their influence on American monetary policy. Volcker's role in the great raid on Fort Knox was not subjected to even the slightest enquiry. Oh, the Senators were on their best behavior and nary an embarrassing question was asked. Paul Volcker was, instead, allowed to lecture the Committee about the dangers of inflation and the necessity for high interest rates for his banking friends.

Neither did the Olympian Solons enquire about the financial aspects of Volcker's new position. The *New York Times* informs us: "In leaving the New York Fed for the board in Washington, Mr. Volcker, who is not independently wealthy, will incur a pay cut of \$52,000 from his current \$110,000 annual salary. 'I accept the financial consequences,' he said at the news conference." No one asked why a man who we are told is not independently wealthy would take a fifty percent cut in pay. How do you suppose Paul Adolph can afford to lose fifty-two thousand dollars a year? Maybe he is just a public-spirited citizen. If you believe that, you are what a confidence man calls a mark. Just as in the past, Volcker's payoff from the Rockefellers will come in other ways.

How important is the post to which Paul Volcker has been appointed? The *New York Times* tells us: "As the nation's central bank, the Federal Reserve System, which by law is independent of the Administration and

Congress, has exclusive authority to control the amount of money available to consumers and businesses." Imagine having "exclusive authority to control" the amount of money available to consumers and businesses. This means that the Federal Reserve Board has life-and-death power over the economy. The Great Depression, for instance, was created when the Fed boomed credit through the 1920s and then shrunk the money stock by one third between 1929 and 1933. By 1933, the Dow had been reduced ninety-five percent and the *Insiders* bought up America's assets for a nickel on the dollar.

"Liberals" are always complaining that government regulatory bodies are controlled by the very people they are supposed to regulate. In the case of the Federal Reserve System, that accusation is absolutely true. But we have yet to hear a peep about it from the *New York Times*, *Time*, *Newsweek*, *U.S. News*, the *Wall Street Journal*, *Fortune*, or members of the Senate Banking Committee. The appointments to the Federal Reserve Board are a matter of life and death to our economy, yet the recipients are never subjected to close scrutiny. Their approval is as routine as the arrival of the autumnal equinox. The fawning and groveling over Volcker by Senator William Proxmire, Chairman of the Senate Banking Committee, was nauseating. Charged with grilling this "independent" man who was being made a virtual economic dictator, Proxmire bowed and whimpered: "Nobody has had quite the degree of experience that you've had. We are very lucky to have you as the nominee."

At one time the House Banking Committee, which has no say in approving appointees of the Federal Reserve Board, was headed by a shrewd maverick named Wright Patman.

**Economist Harry Schultz reports that Paul Volcker has "robbed the U.S. and undermined the dollar and discredited the U.S. image, and fostered inflation." He is, says Schultz, "the single human alive most responsible for inflation in the world today." Now he is raising interest rates while increasing the money supply.**

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Under Patman the Committee released a document noting that one of the jobs of the Fed was to provide reserves for banks. The question was asked: Where does the Federal Reserve get the money with which to create a bank's reserves? The reply was this:

"It doesn't 'get' the money, it creates it. When the Federal Reserve writes a check, it is creating money. This can result in an increase in bank reserves — a demand deposit — or in cash; if the customer prefers cash, he can demand Federal Reserve notes, and the Federal Reserve will have the Treasury Department print them. The Federal Reserve is a total money-making machine. It can issue money or checks. And it never has a problem of making its check good because it can obtain the \$5 and \$10 [bills] necessary to cover its check simply by asking the Treasury Department's Bureau of Engraving to print them."

A "moneymaking machine"! Indeed it is. Don't you wish you controlled a moneymaking machine? Howard Katz, a Harvard-trained economist who turned Right, observes in his book *The Paper Aristocracy*: "There are two kinds of people in America today — those who have the privilege of creating money and those who have the obligation to accept it. The privilege of creating money is

given to a special elite, those who own or control banks."

It is the people who own and control the giant banks who put their colleagues on the board of the Fed to control the moneymaking machine. How much easier it is to get money by making a bookkeeping entry, writing a check, or punching a button on a computer, than by digging a ditch or laying bricks! Naturally, if the ditch-digger or the bricklayer prints money, the federal authorities put him in the crowbar motel for five to ten. The central banker, however, is hailed as a pillar of the community and praised for "stimulating the economy" by doing the same thing. As Katz says, there are two kinds of people.

Popular sociology has it that the boys who run the giant banks are the epitome of conservatism. It must be the way they dress; it certainly isn't their ideology. The fact is that they profit from unsound economics. A pittance of background:

Until the Civil War, banks issued their own notes. During that conflagration notes of all banks were required to be standardized. In legal and economic fact, at that time, a dollar was a quantity of gold or silver. Today Americans do not understand that a dollar was originally a unit of weight. It was, to be precise, 25.8 grains of gold .90 fine. The paper notes which

passed in circulation were only receipts for dollars. But, when those notes became standardized, the bankers began to refer to the notes as dollars, a fact which ultimately eased the transition to paper money.

Next, banking operators began working in Washington to have gold pulled out from behind the dollar and make paper money good for all private and public debts. (Read the face of the bills in your wallet.) As Katz observes in *The Paper Aristocracy*: "With the enactment of a legal tender law in 1913, the basic [funny money] system was created which is now leading to the formation of an American aristocracy. The bankers and the Federal Reserve have, since that time, used their privilege to create a quarter of a trillion paper dollars. The interest which they have charged on this money represents wealth stolen from the American people. This is the basis of the system. It is to protect the income-producing privilege that the bankers are forced to expand their power and constitute themselves an aristocratic class."

It was the masters of the New York megabanks who led the fight for paper money from behind the scenes. With gold-backed money, they could not make loans without having the gold in the strongbox. With paper money, they could create out of thin air the money they lend at interest. They would now collect interest on funds which exist only as bookkeeping (or computer) entries. This certainly has to be the racket of the ages. Katz gives us a clue as to just how valuable Chairman Volcker is going to be to his sponsors:

"Bank profits today thus depend heavily on the actions of the Federal Reserve. If the Federal Reserve issues more notes, then banks can use these notes as a base on which to expand their demand deposits, which they do

in a manner similar to the ancient goldsmith by making loans. These additional loans bring in additional interest, which is profitable for the bank. In our modern world the Federal Reserve is very important for the banks. It can make or lose them millions of dollars. The Federal Reserve in our modern society has the magical power to create money. It simply prints a note, and since its notes are legal tender, presto, it has created money."

Many people find it strange that the "conservative" banking aristocrats who put people like Volcker in key positions are not upset at the huge deficits (inflation) run up by the federal government in recent decades. The answer is simple. The more the Debt, the more money the banks have to lend at interest. As Katz explains:

"... traditionally the central bank has existed primarily for the purpose of lending the government money. In practice the only time the Federal Reserve prints money is when the Federal Government runs a budget deficit and needs to borrow. When the Federal budget is in deficit, the U.S. Treasury prints up pieces of paper called Government Bonds. A bond is nothing more than an I.O.U. The Federal Reserve prints up pieces of paper called Federal Reserve notes. A note is nothing but an I.O.U. Then these two agencies exchange I.O.U.s. But since the legal tender laws are deemed to have the magical power to make pieces of paper into money, presto, money has been created.

"This is how the Federal Government borrows money in our present society. In reality our Government is bankrupt. The people do not have enough confidence in the Government to lend it money. Were it not for the Federal Reserve the Government could not borrow enough to meet the

huge deficits it runs. But the important thing to understand is that every time the Federal Reserve creates money to lend to the Government, that money finds its way into the banking system. (That is, it is spent, goes into circulation, and is deposited in a bank.) Then it can be used as a base upon which to multiply the bank's loans (demand deposits). According to present regulations (depending on the type of bank) demand deposits can be increased by more than six times the cash base; thus for every dollar printed by the Federal Reserve, the banks can create five times that amount in loans, receiving corresponding interest payments."

Since the big banks have a vested interest in deficits, they have a vested interest in inflation. The printing of money by the Federal Reserve does not just cause inflation; it *is* inflation. This new funny money is the *cause* of rising prices. Price inflation is the *effect* of money inflation. But, very few Americans understand that it is the guys with the moneymaking machines who are sending the price of groceries to the moon even as they increase interest rates to expand their take.

Now you can understand why the New York megabankers despise gold. When a currency is backed by gold it cannot be printed willy-nilly. If it can't be printed, it can't be loaned at interest by the banks. And banks are in business to lend money. The big bankers running this system profit from inflation and a gold standard prevents inflation. Therefore they hate gold. And, nobody hates gold more than Paul Adolph Volcker.

While Volcker became Mr. War on Gold, he did not fire the first shot in the battle. That was done by Franklin D. Roosevelt, who called in the people's gold and made kings of the international bankers. By the end of

World War II the United States owned sixty percent of the world's gold reserves. By the end of the 1950s Europe's economies had been rebuilt and were thriving. The U.S. balance of payments was starting to fall into deficit and Europeans (sometimes acting for U.S. operators) were beginning to turn their surplus dollars in to the U.S. Treasury for gold at thirty-five dollars an ounce. By the middle 1960s the outflow of gold was reaching avalanche proportions. So the Treasury came up with the idea of getting European governments to join with us in supplying a new setup called the London Gold Pool which was dedicated to flooding the world with our gold at thirty-five dollars an ounce. When buyers continued to gobble up all that could be supplied at the bargain-basement prices, tons of gold left Fort Knox for Europe. We don't know who all the buyers were; they doubtless included the very megabankers who were encouraging our government to unload its gold.

The London Gold Pool finally folded, but the U.S. war on gold continued, now with General Volcker in charge. One of his first jobs was the creation of so-called "paper gold" (or Special Drawing Rights) to replace gold in foreign exchange. Of course "paper gold" was all paper and no gold. After Volcker crowed in Paris on July 24, 1969, "Well we got this thing launched," the *Wall Street Journal* observed: "It was no mean trick to get most of the world's nations to agree to create a new reserve asset literally out of thin air . . . . Paper gold is essentially a bookkeeping device, not a circulating medium." What it was, in fact, was an effort to pull on an international level what the Fed has long been pulling domestically. The idea was to create an inflation machine, turning the money up and down

for political purpose and private profit.

According to an Associated Press report on April 10, 1974, the prime mover in Mr. Nixon's sinister effort to cut the dollar loose from its long tie with gold was Paul Adolph Volcker. It was a move that resulted in a devaluation of the dollar by December of 1971. Volcker engineered a second devaluation in 1973.

Mr. Volcker's policy of letting the dollar founder was referred to as "benign neglect." Until he made too many comments about the role of the megabankers in world politics, Gordon Tether was for years a featured columnist for the *London Financial Times*. He writes:

"In all history, there can be few instances of a man having inflicted greater damage on the interests of his fellow human beings than Volcker has done with 'benign neglect' and its all too many malignant manifestations — not the least of which is the ill-conceived gold demonetization campaign Washington has been engaged in since the late 1960s . . . . The chickens have come home to roost in no uncertain manner and, in the process, have so transformed the American position in the financial firmament that Washington has had to go, cap in hand, to other countries for assistance in averting the total collapse of the dollar."

Not satisfied with stripping our government of its gold, Volcker also worked assiduously to try to prevent American citizens from privately owning the yellow metal to hedge against his inflation. The *Harry Schultz Letter* reports: "When Congress was about to vote on gold legalization in May, 1973, Paul Volcker was livid. He called a press conference just minutes before the Congressional vote in an effort to scare or intimidate the vote against gold. After the

vote he told Congress not to set a date for legalization but 'leave the time to us.' Happily Congress ignored him. But Paul Volcker got an ulcer at the thought of Americans being 'allowed' to own gold, the metal he detests."

As the Rockefeller front man running the Fed, we can assume that at what is deemed the most profitable point Volcker will escalate the Treasury's gold dumping. And we would guess that the major buyers will be European banks acting as agents for David Rockefeller and his colleagues who supposedly detest the metal. That is, they detest gold that they don't own.

As chief agent of the Rockefellers' war on gold, it is ludicrous to portray Volcker as an enemy of inflation. Gold is the enemy of inflation. Paper money means profits for the big bankers, so inflation must march on. There can be no doubt that Volcker understands the real causes of that inflation. The *New York Times* of July 31, 1979, begins a story headlined "Volcker Says Jump In Supply of Money Sharpens Inflation — Bid To Cut Growth is Hinted," by reporting: "Paul A. Volcker, chairman-designate of the Federal Reserve Board, said today that inflation has been caused by excessive growth of the money supply and suggested he would press for a reduction even if it should mean still higher interest rates."

So Volcker knows the cause of inflation. Previous heads of the Fed made similar statements. Particularly Dr. Arthur Burns. They ritualistically denounce inflation and expansion of the money supply as they go merrily along expanding it. After all, you can't hang a man for hypocrisy. These Fed chairmen have a job to do for their banking superiors. A job on us.

So far this year, the Fed has been expanding the money supply at a double-digit rate while it runs up the in-

terest rate. We are printing the money we use to buy Arab oil and we will soon have to print more to bail out Chrysler. The megabanks have lent Chrysler \$1.8 billion. According to the *Los Angeles Times*: "Virtually every bank large enough to make an out-of-state loan is involved." If Volcker really were dramatically to contract the money supply, we would not have just a recession, but a full-fledged bust of the dimensions of 1929. As financial analyst Jim Sibbet writes: "In his effort to support the dollar without gold, he may raise interest rates." Which is what he is doing. "He will buy dollars in Europe using the currency swap agreements. He may succeed for awhile . . . . If he raises interest rates enough to really support the dollar . . . then a business recession is assured." In such a case, with monetary inflation funding huge deficits and a stagnating economy resulting from enormous interest rates in an economy drained by government of available private capital, the banking *Insiders* and foreign looters will pick the bones of the country.

Much has been made of Volcker's independence and determination not to be stampeded by Carter into hyping the money supply. The *Wall Street Journal* of July twenty-sixth observed: "While President Carter applied a political loyalty test to his Cabinet, the President selected Mr. Volcker notwithstanding his reputation for savvy independence earned during service at the New York Fed and in high Treasury posts in both the Nixon and the Johnson Administra-

tions. Despite a looming recession, financial experts who know Mr. Volcker are confident he would resist White House pressures for easier credit as long as he considered inflation and the dollar's woes top problems. Indeed, they believe Mr. Volcker would be more likely to lead the Fed to tighten credit further if he thought it necessary to protect the dollar and fight inflation." He will do that by raising interest rates.

Which means Carter has no more chance of being returned to office than Herbert Hoover did. Volcker has us pinched between a monetary rock and a fiscal hard place. If the funding of Carter's huge deficits by inflation could somehow be reduced, tightening credit would help to get things under control — two years down the road. A little late for Jimmy. If Volcker changes his mind about tightening credit — and in any case if nothing is done about the deficits — then the dollar will resume its plunge and the Arabs could demand payment for their oil in a basket of currencies rather than dollars. At which point we will really be up to our ears in alligators.

Whatever the future holds, you can bet it will be unstable with wide swings in the value of the dollar and precious metals. As long as Volcker's sponsors know in advance what his policies will be, they will make big money. But no one else's bank account is going to be safe until the country returns to a gold standard. And you can bet that Paul Adolph Volcker means to see that won't happen. ■ ■

## CRACKER BARREL

- The reason why men who mind their own business succeed is because they have so little competition.
- Catherine de Medici was the first woman in Europe to use tobacco. She took it in a mixture of snuff.
- Camel's hair brushes are not made of camel's hair. They were invented by a Mr. Camel.
- The color combination with the strongest visual impact is black on yellow.