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The Enslaving Nature of the Central Bank as Exemplified by the Us Federal Reserve

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Abstract: In this article, the issues of the central bank institution establishment in the USA and its nature are concerned. The history of the establishment of central banks in the USA is briefly reviewed; main causes of the necessity of such an institution for particular circles of the financial system and the methods, with the help of which the goals on enslaving and monopolization of the state's economy, are revealed. This research is an attempt to cover the main negative events in the financial system, particularly, the crises of the early XX century, from the alternative point of view that concerns the causes that influenced these events and what the role of the Central Bank of the USA is in this case.

Key words: Banks % Federal Reserve % US presidents % Central bank % Financial system % Crises % Bankruptcies % Fraud % Money % Dollar

INTRODUCTION

The most important unit of a financial system of any country is a central bank, which first appeared over 300 years ago and has been acting until present days as the main chain link of the banking system and on which the economy status and development depends. Historically, a central bank has two powers-it controls the lending rate and money emission and consequently-the inflation.

In our precedent article-Modern Money Mechanics as a Basis of Economic "Slavery"-we provided a description of the US monetary system functioning, emission and peculiar features of dollar circulation, being the enslaving power for the society, as well as the role of the Federal Reserve in this system. Taking the contents of this article into account, we need to remember that the US Central Bank does not just provide the US Government with money, but it lends it on an interest-bearing basis in the form of debt securities. Then, by increasing or decreasing the money stock, the Federal Reserve handles the cost of the emitted currency. It is important to understand that the only thing that such system can produce in the long term is multiple debts. This circumstance evidences the fraudulent nature of the Central Bank of the USA. When the Federal Reserve emits $1 on an interest-bearing basis, it means that certain "X"% interest is added to this dollar, which is to be returned on top of this dollar. And as the Central Bank is the only institution that is authorized for the emission and it lends every monetary unit, on top of which the interest is to be paid, the question arises, where to take money from to pay off this interest? Only from the Federal Reserve itself. This means that FRS is to emit even more money to cover the debts that it creates itself and thus more debts are created, as the new money also includes debt interest. The result of the performance of this system is the debt "slavery", because both the US Government and the people cannot free from these debts that cause even more debts.

In this article, we will try to find out and understand in detail the nature of the Federal Reserve establishment and development, the causes of the appearance of such an institution, the events that preceded the adoption of the Federal Reserve Act, the fraudulent nature of the Central Bank of the USA and the deceptive manner, in which the act was adopted.

In order to make it clear, we find it reasonable to review briefly the history of creation and development of the Central Bank in the United States. In 1775, the American Revolution began, which had the goal to separate American colonists from Great Britain. One of the main reasons of that revolution was money, or, more precisely, the creation of the dollar. The English King George III who reigned at that time prohibited the

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independent and free from debt interest currency emitted by the colonists for their needs. As a result, the Americans had to borrow money from the Bank of England at interest and that consequently made the colony fall into large debt. In other words, the King of England resisted the appearance of a currency that would be independent from the Central Bank of England in order to control the colonists through the monetary system. Benjamin Franklin particularly wrote about it, "The refusal of the King George III to allow the emission of our own currency that could free the population from the jaws of the money kings was the main cause of the revolution" [1].

In 1783, America won independence from England, but, despite this victory, the struggle against the central bank institution in America just started.

The Central Bank as a chain link of the financial system is dedicated to regulate the monetary and credit system in the economy of the state in order to ensure stability of the national currency, stability of the bank system development, continuous functioning of the payment system and efficiency of the economy itself. However, in the modern practice, some central banks, which in the essence of their establishment are private, pursue only their own goals, the main ones of which are accumulation of capital and strengthening of their power. As a result, acting on a scale of the national economy and pursuing its own commercial goals, a central bank is capable only of bringing the economy to long-term depression and ruins. Accordingly, during the establishment and development of the United States, the largest international banking cartels were trying to establish their own central bank in America in order to enslave the society and the government through monetary system, emission and circulation of national currency.

The so-called “Founding Fathers” of the American Constitution clearly understood what consequences the establishment of a private central bank could cause for the US Government. For example, Thomas Jefferson, the 3rd US President, said to this effect, I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency… the banks and corporations that will grow up around will deprive the people of all property until their children wake-up homeless on the continent their fathers conquered." [2]. We also need to quote Sir Josiah Stamp, the Director of the Bank of England (1928-1941) who said, "The modern banking system manufactures money out of nothing. The process is perhaps the most astounding piece of sleight of hand that was every invented. Banking was conceived in inequity and born in sin. Bankers own the earth. Take it away from them but leave them the power to create money and with a flick of a pen, they will create enough money to buy it back again. Take this great power away from them and all great fortunes like mine will disappear, for then this would be a better and happier world to live in. But if you want to continue to be the slaves of bankers and pay the cost of your own slavery, then let bankers continue to create money and control credit." [3].

By the beginning of XX century, in the USA, several financial systems based on the Central Bank that were deceitfully suggested by bankers were created and then destroyed. Since the time of Andrew Jackson (1820s and 1930s), the 7th US President, bank cartels conducted active policy on establishment of a central bank and obtain the opportunity to control the emission of the national currency. However, their attempts were ineffective as Jackson resisted to the pressure of the private banks during his political career. It is to be noted that the latest time when national debt of the USA was paid off was just during his presidency in 1835, right after he had closed the Central Bank of the USA, which was the predecessor of the Federal Reserve.

During the Civil War, Abraham Lincoln was an active opponent of the idea to establish a central bank; he was the last of the series of old-fashioned radical presidents who kept to the policy of confrontation with the monetary monopoly.

As he and his government rose to power, they faced they hard burden of financing the Civil War with the privately owned monetary and credit system.

Lincoln kept to the tradition of the presidents Jefferson and Jackson. He advocated the reservation of the Federal Government's right for currency emission and rejected any possibility of legal transfer of this privilege to a private monopoly.

In 1863, Lincoln tabled a bill to the Congress allowing US banknotes to become the legal tender and granting the right to the Federal Government to emit paper money in the quantity required for provisioning military actions.

The idea of a national currency was attacked by banking circles as the right for emission was taken away from this financial clan. The banking houses would lose the income in the form of an efficient substitution of money (which, according to the Constitution, was represented by gold and silver).

In this case, we find it reasonable to list the most powerful banking houses acting since the establishment of the Bank of England in Great Britain in the late XVII century and European countries and later expanding their influence to colonies, including the USA. These are Rockefellers, Morgans, Warburgs, Rothschilds and Schiffs.

In 1862-1863, $450 million of new liabilities were emitted. To distinguish them from other banknotes in circulation, they were painted green on the backside. Therefore, these new banknotes were called “greenbacks”. The Government paid these new banknotes to the army and provisioned them with ammunition. Thus, during the war, $450 million of greenbacks was emitted without paying any interest by the Federal Government.

Bankers insisted on transferring the right for emission of paper money from the Government to them. In other words, they wanted to act as intermediates of the Federal Government.

In this case, the US Government would act as a perpetual borrower of a private monetary monopoly, which would obtain the right to lend money to the Government from the government itself.

While Lincoln was pushing his bill, bankers developed their own project, which in 1863 was adopted as the National Bank Act. The National Bank Act assumed the transfer of the authority to emit paper money to banking houses. This monopoly could be used in order to gain profit and during a war, such profit could be very significant.

The contradiction between Lincoln and the financial elite was in who would emit the exchange means (conversion banknotes and irreversible cross checks) - the private monopoly or the state. In other words, the question was who was to obey whom-the Government to the banking elite or the banking elite to the Government. On July 23, 1862, Lincoln imposed his veto over the bill on private bank notes. He substantiated it with the fact that the circulation means was the prerogative of the Federal Government and that the notes of the USA could equally function as small private banknotes. This was a challenge by Lincoln to the banking circles.

Lincoln's scheme with respect to the national currency contradicted the interest of the international banking houses, which were planning to associate private money of the USA to the golden standard of the Bank of England.

The Lincoln's proposal was that the Federal Government was not to borrow or print paper money from banks, but the banking houses were to borrow coins and gold from the Department of Treasury.

The most interesting fact is how the attitude of major bankers to the Lincoln's "greenbacks" was explained in an editor's article in the London Times newspaper: "If this malicious financial policy that has appeared in North America is carried through, the US Government will procure the country with money and without the necessity to pay for its usage. It will pay off its external debt and will not ever have any debts. It will have all necessary means to support trade and the country will become incredibly rich. All best minds and wealth will flow to North America. This country must be destroyed or it will destroy all monarchies in the world". In this situation, banks would not be able to use their printing machines and create fictitious capital.” [4].

The National Bank Act was introduced to the people of the USA as a project on raising funds for waging the Civil war on as well as a means of achieving financial stability. Nothing was said about the fact that they were going to obtain the right to emit banknotes and lend them to the US Government.

According to the Act, any five persons could establish a bank with a share capital equal to $50,000 and more.

Whenever a bank would have deposited in the Department of Treasury the interest bonds, the cost of which was equal to one third of the paid part of the share capital, the Government would issue certificates of the National Bank on behalf of the bank to the amount of 90% of the par value of the issued bonds.

These certificates of the National Bank could be used by the bank both in standard operations and for gaining profit.

And this all did not take into account that the certificates actually were the property of the bank. Besides, the Federal Government paid off interest in gold coins and bonds, deposited in the Department of Treasury.

In other words, bankers earned double profit. Firstly, the interest paid on the secured by the Government emissions of paper money. Secondly, the interest on bonds paid off in gold. The National Bank Act guaranteed benefits to everyone who was engaged in the banking industry. President Lincoln approved the act on February 25, 1863. It is worth mentioning that after the Civil War in the USA was over and Lincoln was reelected in 1864, he was shot in a theater41 days later. It happened just before he wanted to impose his veto on the Bill on National Banks and deprive private bankers of the monetary emission monopoly.

Thus, in a deceitful manner, the bank elites created an institution, which allowed them to influence the Government and the people through the emission of the monetary unit - the dollar banknote.

However, the creation of national banks, which numbered several thousand and which were grouped in twelve parts, was not sufficient for total control and monopolization of the monetary system of the USA by private banking cartels. For example, national banks could only emit banknotes in proportion to the reacquired and submitted to the US Government public bonds in the amount not exceeding 90% of their cost, which prevented them from emitting money in the quantity they wanted. On top of that, there was a legal barrier to their activity, which hindered them in conducting their own policy in favor of international bankers.

Therefore, they needed a single centralized institution, which would unite all national banks and obtain exclusive rights for banknotes emission without any limitations imposed by the US Government. And the Federal Reserve became such an institution. But, the problem was that in order to establish such an institution, they needed approval of the society, which would never accept the establishment of such an institution. So, in order to solve this issue, it was necessary to plan and accomplish a number of precedents in the monetary system, for example, financial crises, defaults and bankruptcies and then to propose a solution of these problems through the establishment of a central bank. The idea of the fraud lied in creation of a controlled problem and further suggestion of its solution, which trick had been often used before. Many pro-bank economists say it is impossible to create a financial crisis in a market economy artificially. However, this concept is wrong. The first person who in 1907 proved the possibility of such a precedent was John Pierpont Morgan called a “financial king” by his contemporaries.

Morgan was one of the most powerful financiers of that time, a kind of a magnate and an opponent of President Theodor Roosevelt who, in his turn, was called the Trust Buster and the Defender of Small Businesses. Once, during a meeting between Roosevelt and Morgan just before the panic of 1907, the President expressed his intention with respect to Morgan's business:

Morgan-"Mr. President, if we have done anything wrong, send your man to my man and they can fix it up."

"Mr. Morgan", said Roosevelt,-"we don't want to fix it up, we want to stop it."

Officially, the cause of the 1907 crisis and panic is called, first of all, the raising of the Rate (of the Bank of England), which caused capital outflow from the USA as well as a 50% decrease of stock indexes if compared to the precedent year. Secondly, it was the runaway of depositors from the USA banks and a series of default of payments on loans [5]. Then, as the historians say, John Morgan saved the situation by huge investments of supposedly his liquid funds and by purchasing several bankrupt companies from commercial banks. At that time, Morgan made a proposal to the society to help the “weak” American economy and “ill” banks with his money, which he would create “from nothing”. This was the most terrific proposal. But the Congress supported it. Morgan printed $200 million of his non-reserved private money. He provisioned the economy with this paper and sent part of it to his branches for lending at interest. Finally, Morgan's investments led the economy out of the crisis, thus ensuring economic recovery.

What really happened there? John Morgan understood that the US Government would not allow his empire to grow and expand its power in the economy and Roosevelt confirmed it in that conversation. Besides, he needed to make the Government and the society to believe in the necessity of the Central Bank establishment for complete monopolization of the monetary system. Because, as Mayer Amschel Rothschild, the founder of the dynasty, used to say, "Give me control of a nation's money and I care not who makes the laws."[6] Just one financial crisis, which would cause total hysteria and loss of population's capital, would be enough in order to focus the people's attention on the dubious necessity of establishing the Central Bank. It was required to put in people's minds the idea that only a central bank was able to prevent mass smashups of banks and loss of population's deposits.

Using his ties in mass media, John Morgan distributed false information that one of the large banks in Wall Street was going to become insolvent and was on the verge of bankruptcy against the background of the occurring mass capital outflow from the country. He knew that it would cause mass hysteria and “runs by depositors”, which would affect other banks, too. And it happened. It is a known fact that mass claims for withdrawal of deposits mean early bankruptcy for any commercial bank, as none of banks is able to return more than 60% of deposits at a time, for the capital that the bank operates is a debt capital and it does not have the required amount of money the depositors demand for withdrawal simultaneously. Accordingly, people became afraid to lose their money and started massively withdrawing their deposits. This caused banks to claim for returning loans from their borrowers, population and enterprises, which, subsequently, made them to massively sell their property in order to return the borrowed amounts. Finally, this led to a series of bankruptcies, insolvencies, defaults and riots at an exponential rate.

Many years later, the journalist Frederick Lewis Allen wrote the following in the Life Journal on April 25, 1949:

"... the Morgan interests took advantage of the unsettled conditions during the autumn of 1907 to precipitate the panic, guiding it shrewdly as it progressed so that it would kill off rival banks and consolidate the preeminence of the banks within the Morgan orbit." [7].

Thus, the first in history and the largest in scale financial crisis of that time had been planned and accomplished by the magnate John Morgan. In the result of the crisis, Morgan carried out takeover of a number of industrial companies and commercial banks, thus enlarging his empire and creating a precedent that caused the establishment of the Federal Reserve.

After the crisis, in 1908, the US Congress established a special commission for investigation of the crisis causes-the National Monetary Commission. It was headed by Nelson Aldrich, a senator from Rod Island, who represented from behind the richest banking families of America in the US Congress and whose daughter was married to John Rockefeller. The results of the Commission's work were compiled in its report to the US Congress, which stated the necessity to create a centralized banking institution that would regulate the banking system in order to prevent any repetition of the crisis and the panic of year 1907.

Two years before this report on the results of the Monetary Commission work was presented, in 1910 on the Jekyll Island that belonged to Morgans, a meeting of the most powerful financial magnates and bankers had taken place with the involvement of Aldrich. This meeting was so confidential and hidden from the public and the Government that its participants were forbidden even to call each other by surnames, only names were used. At this meeting, the draft of the Federal Reserve Act was discussed, which was prepared not by lawyers, but by the bankers themselves and which reflected only their own personal interest. Their goal was to return their former positions in the control of the monetary system and the society in North America, which they had lost during the governance of Andrew Jackson who had forbidden central banks.

Finally, as the Federal Reserve Act was ready, they handed it over to Nelson Aldrich so that he would suggest it for consideration and approval by the US Congress. Adoption of this act required approval by the US Congress, positive public opinion and the signature of the US President. In this view, the report of the Monetary Commission on the necessity of establishing such an institution had been submitted to congress on the previous day.

In order to prepare public opinion, the New York bankers assigned $5 million for the establishment of a special fund for leading professors of various universities with the purpose of theoretical substantiation of the necessity of the Central Bank establishment, which would ensure support and stable development of the economy and the banking sphere.

And, finally, the signature of the US President in order to put this act into legal effect. At this stage, the financing of the election campaign of the New York Governor Woodrow Wilson from the Democratic Party who was for the establishment of the Central Bank and was in sympathy with banking families. Using this support of banking cartels provided in exchange for the signing of the Federal Reserve Act, in 1912, Wilson was elected the 28th US President.

Thus, the Federal Reserve Act was introduced by Nelson Aldrich to the US Congress for consideration and voting on December 20, 1913, just two days before Christmas holidays when half of senators stayed at home with their families. And after the Senate's approval of the Federal Reserve Act, it was signed by Woodrow Wilson on December 23, 1913. Many years on, Woodrow Wilson wrote contritely:

"I am a most unhappy man. A great industrial nation is controlled by its system of credit. Our system of credit is concentrated. The growth of the nation, therefore and all our activities are in the hands of a few men. We have come to be one of the worst ruled, one of the most completely controlled and dominated Governments in the civilized world no longer a Government by free opinion, no longer a Government by conviction and the vote of the majority, but a Government by the opinion and duress of a small group of dominant men (*financial monopolists*)." Woodrow Wilson, 1919 [8].

The Federal Reserve was established and the monetary monopoly passed into the hands of the private banking families together with the monopoly of control over the state and the society.

However, the society was told that from then inflation and economic crises had remained in the past due to the establishment of FRS, but the history has proved that was far from truth. Actually, FRS is the only guilty in all the subsequent financial crises. For example, during 1914-1919, FRS increased the money stock virtually by 100% and issued a huge number of loans to smaller banks [9]. Then, in 1920, it demanded encashment of the excessive money stock by commercial banks that were not among the banks under the Federal Reserve. After that, the banks demanded to return debts from their borrowers and the panic of 1907 repeated again. As a result, 5,400 banks smashed up due to insufficient liquidity [10]. This was the next stage of the economy monopolization by the so-called "swaps" (the largest financial and banking magnates).

Later on, in 1921, the Congressman Charles Lindbergh who was accessory to that crisis said the following about what happened:

"Under the Federal Reserve Act, panics are scientifically created. The present panic is the first scientific one, worked out as we figure a mathematical equation." [11]

The crisis was the first beginning point of the economy monopolization and elimination of financial groups who competed the "swaps".

Between 1921 and 1929, the FRS again increased the money stock by 62%. [9] It subsequently led to the growth of loans by banks and individuals. Another type of loans became popular at that time - the margin loan. The essence of the margin loan is in the following: an investor when purchasing securities is allowed to pay just 10% of the share price and he owes the remaining 90% to the broker. As soon as the call for return (marginal claim) is announced, he will have to return the money within 24 hours. And the broker can announce such a claim at any moment. This type of loans was popular in 1920s in the stock market as it allowed to purchase shares, for example, the cost of which was $1,000 while he had just $100 at hand. Finally, it led to the dramatic saturation of the market with credit shares, 90% of which was not secured.

This brief description of this type of loans existing at that time aims to explain the main cause of the economic crisis of October 1929, which announced the beginning of the Great Depression that lasted until 1939, or, as some other sources state, until 1945.

Several months before the pre-crisis events, the banking cartels of Rockefellers, Morgans and other warned participants of the incident transferred their assets into gold and left the market secretly. On October 24, 1929, New York brokers who had been accommodating with margin loans started massively demanding repayment of them. Everyone began to unload from shares in order to avoid the repayment of margin loans. The necessity of repay margin loans caused deficiency of funds at banks due to similar reasons (as bank assets were invested in securities and banks had to sell them urgently) and resulted in the smashup of 16,000 banks. This allowed international bankers not only to buy up competitor's banks, but also to buy large American companies at a cheap rate. This was the "greatest robbery of America", as some economists and politicians said. And the Federal Reserve being the guarantor of stability and efficiency instead of increasing money stock and prevent recession of the economy, on the contrary, decreased the quantity of money in circulation, which caused the Great Depression and a world financial crisis.

After these events, Senator Louis McFadden who was a strong opponent of international bankers demanded the resignation of the Council of the Federal Reserve charging it in organization of the crisis. He said, "This has been a thoroughly elaborated incident. The international bankers intentionally caused the desperate situation in order to take the control over all of us" [12].

It is worth noting that after these words, two murderous assaults took place at McFadden and, finally, he was poisoned in 1936, before the beginning of the resignation procedure.

When the society was completely smashed up, the bankers of the US Federal Reserve decided to cancel the gold standard of the USA. With this purpose, they took the decision to collect all gold left in the country. Thus, under the pretense of struggling with the consequences of the depression, the confiscation of gold from the population of the USA was fulfilled. Under penalty of 10-year term of imprisonment, every American was to hand over all gold bullions he had to the Department of Treasury. [13] Thus, the people were deprived of their assets. After that, in the late 1933, the gold standard was canceled.

If we look at a one-dollar banknote issued before 1933, we will see the inscription that it is guaranteed by gold; currently, it is written on the dollars that they are just a legal payment means; in other words, they are not guaranteed by anything. The value of the contemporary money is provided by the quantity of money in circulation. Therefore, the power of regulating the money emission is the power to regulate their value. And this power can bring even countries and their economies to their knees.

It is important to understand that the Federal Reserve System is a private corporation established in a fraudulent and deceitful manner with the purpose of accumulation of private capital and power in the state through the monetary system. Currently, it lives under its own laws and is virtually uncontrolled by the Government. This private bank lends money to the government at interest and is an identical copy of the Central Bank's fraudulent model, from which the USA had been trying to get rid of since the announcement of independence and the revolutions.

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