

# Is Your Local Banker Involved In Check Kiting? Mail Fraud? Racketeering?

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Read this shocking expose of a nationwide scandal involving over two trillion dollars worth of bad check circulating as "money!" Believe It or Not! Though originally printed in 1985, the truths contained herein still apply today... and now you'll know why not to trust your Banker!

## CHECK KITING A NATIONAL SCANDAL

The story you are about to read is true. This is not a story about bank robbers like Jesse James, or a holdup at your local bank or The Great Train Robbery. It is a story about banks robbing people through one of the cleverest schemes ever contrived in the history of civilization. Officially, it is known as "fractional reserve banking."

In reality it is nothing more than a check writing scheme. The writing and circulating of bad checks as "money." The extent of this check kiting scheme is now estimated to exceed well over two trillion dollars, and involved all 12 Federal Reserve Banks as well as over 14,000 commercial banks throughout the United States.

Not only is there massive check kiting, but also a carefully planned conspiracy to overthrow the Constitution of the United States, and set up a world government and world monetary system with a cashless society. The ultimate plan is a debt dictatorship where there will be but two classes of people; the "haves" and the "have nots."

The "haves" will own it all, and the "have nots" will pay interest to the banks and taxes to the government. The United States will no longer be a Republic, but an Economic Oligarchy – owned and controlled by an elite few who, through fraudulent methods and contracts have turned us from a nation of free men and women into a nation of slaves.

## WHAT IS CHECK KITING?

Check kiting is a term applied in a method of floating checks between various bank accounts in a never ending circle. Here is how it works: Suppose Tom, Dick and Harry each had a checking account of three different banks, Bank A, Bank B, and Bank C. Tom writes a check for \$3,500 from his account at Bank A to Dick. Dick writes a check for \$3,500 from his account at Bank B to Harry. And Harry writes a check for \$3,500 from his account at Bank C to Tom, thus finishing the circle. Together, they have written checks totally three times \$3,500 or \$10,500. Yet between the three of them there is less than \$100 in all three checking accounts.

Will any of the three checks bounce? The answer is "No" unless the banker figures out the scheme. If any of them withdraw the checks for cash, they can be charged with fraud, and just for writing them, they can be charged with check kiting, which is a federal crime. Some check kiting schemes involve millions of dollars of bad checks floating between various accounts, which the depositors suddenly cash in before vanishing with their ill-gotten gains.

## **E. F. HUTTON**

In the summer of 1985, E. F. Hutton gained national notoriety for floating up to \$270 million dollars worth of checks each day in what was up until now, the largest check kiting scheme ever perpetuated in the country. E. F. Hutton never cashed the checks, but instead collected an estimated \$25 million dollars in interest each year on the checking accounts through which all the bad checks were floating. The Department of Justice, even after a thorough investigation, could find no one to indict, incredible, but true-believe it or not.

## **THE GAMES PEOPLE PLAY**

If a group of people sits down to play a Monopoly games, and only one person (the "banker") has the power to create money, there can be little doubt who will win the Monopoly game. Here's the strategy. The "banker" lends money to the people who want to stay in the game, AND he gets mortgage and security liens against all their personal and real property. The interest he charges for the money he creates and lends out is all gray-virtually all profit and no overhead. Once everyone is in debt to him, he just cuts off their credit and calls in his loans. Because the interest on the loans creates a debt greater than the supply of money to repay it, all the lender does to foreclose on everyone is to stop making new loans. When the existing loans are paid off, the money supply dries up, and prices of land, buildings, and commodities fall. Then, the lender forecloses.

All this is done very smoothly as lenders deprive people of property under color of law.

Taking the Monopoly game from the parlor into today's real life is simple. What is happening is merely a repeat of a script written long ago. We the People, have been conned into a trap, tempted by the lure of money, and have signed our land and freedoms away with contracts that have made us perpetual economic slaves to the lenders. Under our right to contract, we have signed notes, entering ourselves "voluntarily" into a debt dictatorship - although few, if any, of us realize the trap we were led into.

## **WHO CREATES THE MONEY?**

Under the U. S. Constitution in Article 1. Section 8, Congress shall have the power "to coin Money, and regulate the Value thereof." Today money is defined by 31 U.S.C.A., Section 5103, which say, "United States coins and currency....are legal tender for all debts, public charges, taxes and dues." It is quite clear that the U.S. Government has exclusive power to coin money, and this power has not been delegated by the Constitution to private individuals or corporations. It is important to realize here that evidences of debt are not money, and are not legal tender. Such evidences of debt include: checks, credit cards, lines of credit, demand deposits, credit, letters of credit, and checkbook money. These latter instruments pass as money only as long as people have confidence in them.

## **DO BANKS CREATE MONEY?**

In their own publications, the banks claim they create money. Because money is defined by law as coins or currency, we must look at the evidence to see if they

create coins or currency. A close examination of the evidence shows that the banks neither create coins nor currency, as these are exclusive function of the U.S. Government. What, then, do they create? They create something that passes as money, yet isn't real money.

### **DID THE LENDER CREATE THE MONEY? OR, DID HE MERELY WRITE A BAD CHECK?**

When we looked at what the E. F. Hutton people did, we saw that in a sense they created money and benefited by it. They wrote bad checks which passed as money because Hutton always backed its bad checks with more bad checks in a never ending check kiting scheme. Yet, what difference is there between what E. F. Hutton did and what a commercial bank does on a regular basis? Consider this, "Modern Money Mechanics," published by the Federal Reserve Bank of Chicago, says: "The actual process of money creation takes place in commercial banks." "Deposits are merely bank entries." "Banks can build up deposits by increasing loans..." "...bankers discovered that they could, merely by giving borrowers their promises to pay (bank notes.) In this way banks began to create money." "Demand deposits are the modern counterpart of bank notes. It was a small step from printing notes to making book entries in the credit of borrowers which the borrowers, in turn, could spend by writing checks."

A publication by the Federal Reserve Bank of Boston, called "Putting it simply," says "When the Federal Reserve writes a check, it is creating money."

Another publication by the Federal Reserve Bank of New York, called "I Bet You Thought," says "This checkbook money is bookkeeping money created mainly by the nation's commercial banks."

Now, you may want to buy the story that the bankers are creating money, but I will not. The courts have clearly decided that checks and evidences of debt are not money. (See, Hegeman V. Moon, 131 N.Y. 462.30 NE 487; and State V. Neilen, 73, Pac 321, 43 Ore 158.) IF YOU OR I WRITE A CHECK WITHOUT HAVING THE FULL VALUE IN CASH TO BACK IT UP YOU OR I HAVE WRITTEN A BAD CHECK. IF A BANK WRITES A CHECK WITHOUT THE FULL VALUE IN CASH TO BACK IT UP, THEN THE BANK, TOO, HAS WRITTEN A BAD CHECK. The bank, however, is in a unique position to circulate its bad checks as 'money' by stamping the "PAID" and crediting the depositor's checking or savings account with some book entries. The banks are getting away with this fraudulent activity because most of us don't cash our checks because we use checks and credit cards as substitutes for cash (money). As a result, many banks are making loans up to 33 times the amount of actual money (cash) they have to loan. This technique is known as "fractional reserve banking."

Today the American people have become a party to the check kiting scheme of the bankers by accepting checks and depositing them, and then writing checks against those book entry deposits. We unwittingly help the banks pass on bad checks as "money."

### **WHAT IS FRACTIONAL RESERVE BANKING?**

Fractional reserve banking is based on the trade secrets of the goldsmiths. During the Middle Ages, the goldsmiths would store real money-gold and silver coins-brought to them for safekeeping. The goldsmiths would then issue notes promising

the "Bearer on Demand" that amount in either gold or silver coins. Eventually, the goldsmiths found that the people preferred using notes to buy goods and services from each other, and would leave their heavy and cumbersome coins in the vaults.

Conceiving a plan to get rich quick, the goldsmiths issued up to ten times the value that they gold or silver coins in their vaults in notes-promises to pay. They then lent out these notes-worthless paper! - and collected interest on them! The precious metal coins stayed in the vaults backing the bad notes they circulated as "money" at a fraction (1/10) of the coins' actual value (hence, the term "fractional reserve.")

The goldsmiths said they created money. We say, "NONSENSE!" To create real money, they would have mined and refined real gold or silver metals and formed them into coins. While their notes seemingly benefited the public, the actual monopoly of issuing these notes placed goldsmiths in positions of great wealth and power over people and nations. Or at least, that is, as long as their fraudulent activities were not discovered. The goldsmith's power became awesome, and he could at his discretion, lead a nation into either a war or a depression, if it furthered his ends.

### **THE HARD EVIDENCE**

First of all, no banker in the United States can cite any law that gives him the right to create money by lending "promises to pay money," which are called by many names, such as demand deposits, credit, or checkbook money. Look at it this way: If any of these items are cashed in, no money is created. Instead, a promise to pay money is exchanged for the money promised. That's like writing an IOU for and IOU. Now, if the money promised doesn't exist, then we are talking about bad demand deposits, bad credit, and bad checks. The fact that the bank stamps the check "PAID" when, in fact, no cash is paid out, and there exist only a transfer of book entries, is evidence in itself of check kiting. An ingenious con, really, to swindle millions of people every day, with no one being the wiser because they actually think their paychecks have value.

### **FEDERAL RESERVE BULLETIN CONFIRMS FRAUD**

A monthly publication by the Federal Reserve Board, called the "Federal Reserve Bulletin," has in it information to document massive fraud and check kiting going on in the nation's banking system. In the May edition of the FRB, it states the reserve requirements effective on January 1, 1985, are 3% for net accounts under \$29.8 million and 0% for accounts of corporations on time deposits of eighteen months or more.

As of February, 1985, the total amount of Federal Reserve Notes in circulation is listed as \$162.9 billion. Yet the total loans and securities of all commercial banks are listed as \$1.8 trillion-ELEVEN TIMES GREATER than the money supply (cash.) This \$1.8 trillion figure does not include the over \$2 trillion worth of stock in American industry held by bank trust departments. Total mortgage loans are over \$2 trillion, and the total amount of the Federal Government's debt is over \$1.7 trillion. In fact, the entire public and private debt is over \$6 trillion. Yet the actual amount of money (cash) in the country is \$162.9 billion or less than 3% of the total debt.

If the banks and other financial institutions had actually been lending the money, then the total national debt would be less than \$200 billion, yet we find it to be 30

TIMES this amount. This can only mean one thing: that there are over \$5 trillion worth of bad checks written which created over \$5 trillion worth of unlawful debts. THE LEGAL BASIS TO CANCEL MOST OF THE PUBLIC AND PRIVATE DEBT OF THE NATION IS SET FORTH IN THE FEDERAL RESERVES OWN BULLETINS!

### **MAIL FRAUD AND RACKETEERING**

The use of the U.S. Postal Service to collect on any unlawful debt is considered mail fraud under federal statutes (In U.S.C. 1341), and the use of the U.S. Mails more than once in any 10-year period constitutes a pattern of racketeering activity under statute 18 U.S.C. 1961.

Any bank loan in this country where checks or credit cards were used and no actual cash was received should be considered an act of fraud to circulate a bad check as money as part of a check kiting operation that involves the Federal Reserve Banks, which are also privately owned banks. No person should receive any check without going to the bank and demanding actual cash. We must stop using bank credit cards and demand proof from the bank that it actually lends lawful money. We must pray and call on God Almighty to help expose and drive the check kitters (The Money Changers) from America.

### **WHAT CAN YOU DO?**

First, you can write to your congressman and demand a congressional investigation into the massive check kiting, fraud and conspiracy charges raised in this flyer. Send your congressman, Senator, Governor, State legislators, mayor and local sheriff and judges a copy of this flyer and ask them to conduct an investigation. Or better yet, impanel a Grand Jury to investigate these allegations.

We need to determine what pattern of the national and private debt was actually paid for with Lawful money. That portion of the public and private debt that was "paid for" with bad checks designed to circulate as money should be immediately repudiated and those who illegally acquired government securities and bonds should be indicted.

We need a complete, investigation and audit of all 12 Federal Reserve Banks and over 14,000 member banks. We need an immediate investigation of all mortgage loans, and loans made through the Farm Credit System to determine the extent of the check kiting operation, and which farm debts should be canceled. In the meantime, we need an immediate moratorium to stop all foreclosures.

Your help is needed to reprint this flyer and pass it on to your friends and neighbors. Your prayers for the success of those efforts will bring God's blessings upon us as we strive to attain economic and social justice for all!