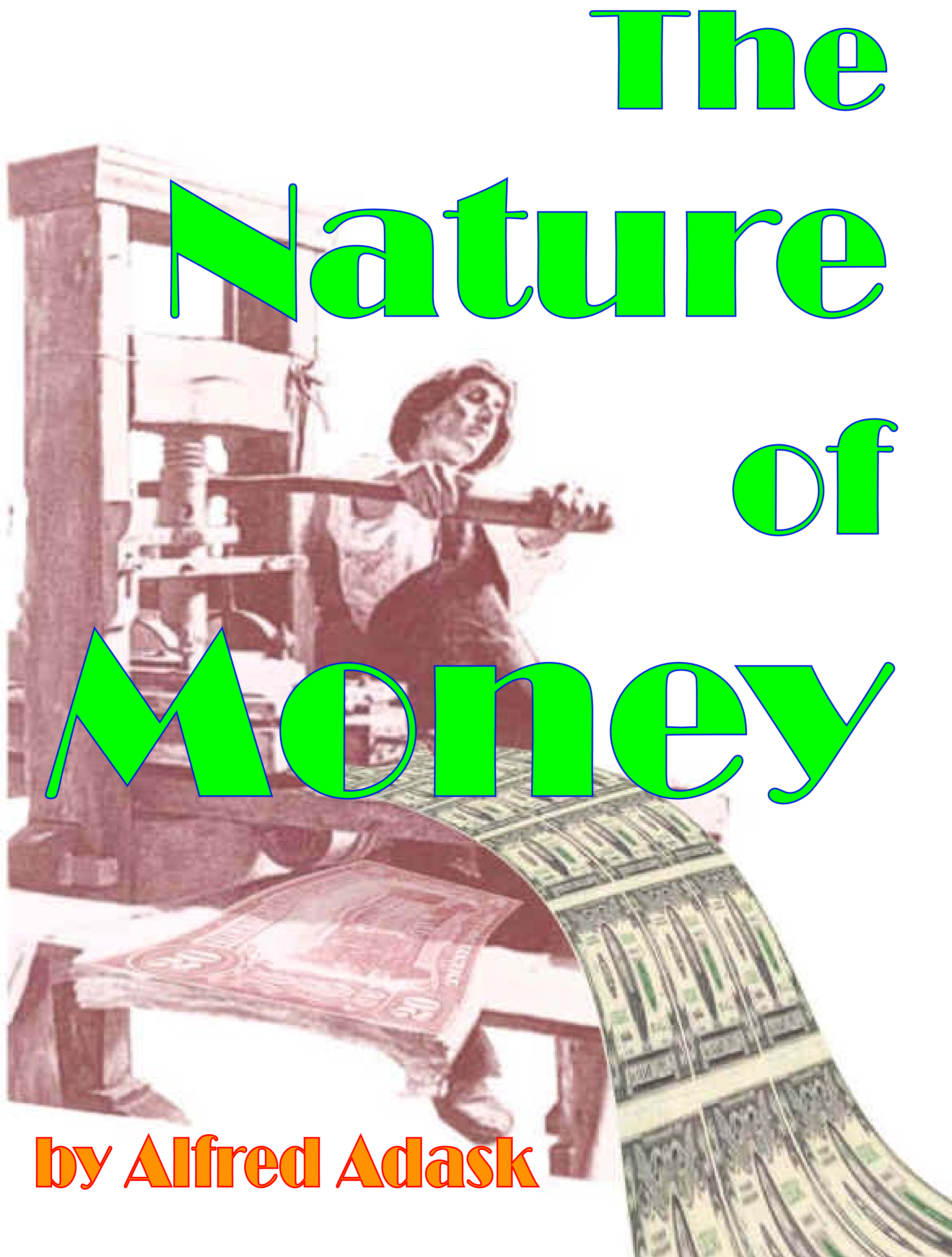
The Nature of Money



by Alfred Adask

The Nature of Money

This book—*The Nature of Money*— was created, written, edited and first published by Alfred Adask at Dallas county, Texas, The United States of America in the year of our Lord, 2002.

This book is primarily a collection of articles first published in the *AntiShyster* or *Suspicions* new magazines between 1995 and 2001. Where appropriate, these articles have been updated or edited to reflect the editor's most current understanding of the "nature of money".

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"...it does not require a majority to prevail,but rather an irate, tireless minority keen to set brush fires in people's minds." – **Samuel Adams**

"AntiShyster" defined:

Black's Law Dictionary defines "shyster" as "one who carries on any business, especially a legal business, in a dishonest way. An unscrupulous practitioner who disgraces his profession by doing mean work, and resorts to sharp practice to do it." *Webster's Ninth New Collegiate Dictionary* defines "shyster" as "one who is professionally unscrupulous esp. in the practice of law or politics." For the purposes of this publication, a "shyster" is a dishonest attorney or politician, i.e., one who lies. An *"AntiShyster",* therefore, is a person, an institution, or in this case, a news magazine that stands in sharp opposition to lies and to professional liars, especially in the arenas of law and politics.

Legal Advice

The ONLY legal advice this publication offers is this: Any attempt to learn to cope with our modern judicial system must be tempered with the sure and certain knowledge that "law" is always a crapshoot. That is, *nothing,* not even brown paper bags filled with hundred dollar bills and handed to the judge, will absolutely guarantee your victory in a judicial trial or administrative hearing. The most you can hope for is to improve the *probability* that you may win. Therefore, DO NOT DEPEND ON THE ARTICLES IN THIS PUBLICATION to illustrate anything more than the opinions or experiences of others trying to escape, survive, attack or even make sense of "the best judicial system in the world". But don't be discouraged; there's not another completely accurate publication on law in the entire USA—except the Bible.

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The Nature of Money

by Alfred Adask

> "There's no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which only one man in a million can diagnose."—*Economic Consequences of Peace* by John Maynard Keynes (1920).

That quote may sound like so much hyperbole to most Americans, but I believe it's one of the two or three most profound and concise statements of truth I've seen.

I'm particularly drawn to Lord Keynes' implication that no more than "one man in a million" truly understands the nature of money. Most people would dismiss Keynes' comment as gross exaggeration. After all, if Keynes were right, America (with a current population of roughly 300 million) would have no more than 300 people in the entire nation who truly understood money. That would only be an average of six people in each State.

Doesn't sound possible, does it?

But I believe Keynes' estimate was about right. There might be more than 300 Americans who "understand," but there's no way the total number runs as high as 5,000 (100 in each State). Realistically, there might be one man in 100,000 who truly understands the nature of money.

I can't say that you'll be one of those one-in-a-million individuals who fully understand money when you finish this book. But I guarantee you'll be among the one-in-ten-thousand who currently have some insight into the nature and significance of money. You will find that insight amazing, unbelievable and, initially, even threatening.

But if you would be free, you must have that insight and understanding.

A few years ago, a friend of mine with a degree in political science decided to test Keynes' observation. He reportedly experimented with several of the cartoon "$6 Bills" that were printed during the Clinton administration. (You probably saw them: They were green pieces of ordinary paper crudely formatted to resemble regular dollar bills—except they had a picture of Bill Clinton (instead of Jefferson or Washington), some jokes about Monica and Hillary, and were denominated in the corners as "$6" bills rather than $1's, $5's or $10's.)

To see if people understood anything about money, my friend reportedly passed several $6 bills at several convenience stores. He'd walk into a 7-11, order a hot dog, slurpee, or a candy bar and hand the clerk a "$6 Bill". Every clerk took the $6 without hesitation and even gave change.

The clerk's only problem was trying to decide which section in the cash drawer should hold the $6 bill. It didn't belong with the $1s . . . nor the $5s . . . nor the $10s . . . . Hmm. Eventually, the busy clerk would lift the cash drawer and file the $6 underneath, with the checks, money orders and food stamps.

> Paul Moritz Warburg was *chief architect* of the Federal Reserve Act.
>
> Shortly before his death, he was quoted in the February 3, 1932 edition of *The Nation Magazine* as saying:
>
> "I have studied finance, and economics, and international trade all my life, and now after these recent events, I have come to the conclusion that I know nothing about any of them."

This experiment seems funny, but it wasn't really fair. Virtually all of the convenience store clerks were Middle East immigrants who barely understood English and were working entry level jobs in their new country. They were overworked, unsophisticated and easily fooled.

Surely, you and I would not be so easily deceived. Any "real" American can instantly tell the difference between a $6 bill joke and "real" paper money—right?

But the truth is that our understanding of money is only slightly superior to that of the immigrant clerks. No, we won't fall for $6 bills. But what do we really know about money except magnitude? Even little kids know that a $5 bill is better than a $1 bill, and a $10 bill is better yet. But once we learned that difference, who learned more?

Who among us understands what a "bill" is—or a "note"? Who understands the difference between "tender" and "legal tender"—or "money" and "credit"? Who understands the difference between buying and purchasing? Who even imagines that purchasing a home, car or magazine with "debt instruments" may gain only the right of possession, but not true ownership of the object being purchased?

According to Lord Keynes, perhaps 300 people in the entire USA understand the nature of money sufficiently to answer those questions and others more profound. I'd say there's no more than 5,000. I don't claim to be one of those "chosen 5,000" (certainly not one of

the "chosen 300"). I'm a student of money and my understanding—while greater than average—is nevertheless incomplete. I don't have all the answers.

But I do have some fascinating questions that I'll present in this text.

My questions occurred as a natural consequence of publishing two legal reform magazines (the "*AntiShyster*" and now "*Suspicions*") since 1990. I've also hosted a number of talk radio programs and even ran for the Texas Supreme Court in 1992. During the past twelve years, I've had the good fortune to talk to thousands of Americans were bewildered or even sorely critical of our government. Some of those people were extremely insightful, others were dangerously misguided, and most (like me) were simply confused and disillusioned.

All of us knew our "system" of government does not operate according to the principles established by Jefferson, Madison and Washington. Individual rights? Personal liberty? Property ownership? We're taught to believe in these concepts and pay them lip service, but they seem to have become nostalgic relics of a former glory rather than controlling principles of our current government.

But if government isn't operating according to the principles established by the 18th century Founders, what controlling principles are now in effect?

Since I started publishing, I've observed two general principles that government seems extraordinarily reluctant to violate:

First, the only thing our current system fears is *public exposure*. Government can and will do virtually anything it can get away with so long as it doesn't arouse widespread public exposure. In worst case scenarios (when they're caught), government will deny, deny, deny, lie, lie, lie, influence the media and even hide or destroy evidence to conceal the truth from the general public.

The second principle that animates government is an almost fanatical defense of the existing "money" system against all enemies, foreign and domestic.

Over the years, I've deduced this second principle from watching the fate of those who challenged the money system. I've learned that the one sure way to get yourself jailed is to assault the existing *money* system. You can conspire to kill the President or blow up tall buildings and maybe the government will come to arrest you and maybe they'll send people to ostensibly help you. In the end, Presidents (and skyscrapers) are as disposable as light bulbs.

But if you create your own "comptroller warrants," open your own bank, or issue some sort of homemade "money" that offers a real alternative to Federal Reserve Notes—the only question is how many years you're going to spend in prison. Mess with the money system, and you *will* be arrested, indicted, convicted, and incarcerated.

Oh, you'll get a trial, of course. The judge will appear attentive as your lawyer presents your defense. But the appearance of "due pro-

cess" will be window dressing to conceal an absolute certainty recognized long before they kicked in your door—you're going bye-bye.

I've seen this process take place several times, and judging by the system's virulent assault on anyone who offers an alternative to the existing money system, there's little doubt that *money* is our System's "third rail"—touch it and die. Judging by government's determination to protect the money system at all costs, I'm convinced that money is our System's "heart of darkness."

The articles that follow are simply an attempt by various ama teur sleuths—especially me—to question and then expose the nature of money. If you'll read this book, you'll see that modern "money" has more to do with fantasy and mysticism than reality and science.

The reason so few people understand the nature of money is that modern "money" is not merely hard to understand, it's almost impossible to believe. Modern money isn't science, per se, or a collection of dry economic graphs and formulas.

As Lord Keynes said in the opening quote, there are "hidden forces" at work in economics, unexpected powers in currency. As you begin to appreciate these hidden forces, you'll begin to see that economics and especially money, are not merely mathematical formulas based on simply addition or substraction. Their application and effects are more akin to sorcery.

Once you begin to "see" these "hidden forces," you won't believe your eyes.

Fundamentals

“Give me control over a nation’s currency and I care not who makes its laws.”

Baron M.A. Rothschild

“Whoever controls the money in any country is master of all its legislation and commerce.”

President James Garfield

The Story of Money

by Barrie Konicov

Before we begin to send your mind spinning into monetary space, here's a fairly simple introduction to the bizarre realities and peculiar contradictions of our modern "money" system. This article expresses a fairly common litany of complaints based on the facts that:

1) American dollars are still legally defined as a tangible, physical mass of gold or silver;

2) Modern American paper currency and "credit" have no tangible value and yet "costs" the American people a great deal in terms of real, tangible wealth.

As a result, our monetary system is not only unfair, it's fundamentally dangerous.

Reflect for a moment on the nature of money, wealth and prosperity. The more time you reflect on these subjects, the more varied and abstract your thoughts will be. If you consider our modern "money" for long, you'll see that its value is determined by *you*, with every transaction that you enter. That assertion may seem improbable, but as you'll read, it is nevertheless true.

What we call "money" is not true money and the only value it has is the value you and I give it. The pieces of paper you and I pass around are Federal Reserve Notes. They *look* like money because we've been told that they are money and they spend like money, but they are *not* real money.

Instead, they are instruments used to enslave us. Unless we collectively wake up to the reality of money and our government, we are headed for a huge upheaval.

Money is meant to be a medium for freely exchanging value for value. But the creation of money is in the hands of individuals who control us by the use of debt. There is a way out of the debt system for all Souls willing to take control of their lives and to stand up for

themselves. But before we can solve the problem, we must first understand how paper began to circulate as money:

Imagine living in England around 1660, when the only money is gold or silver coins minted and put into circulation by the king. When the king was short of gold or silver but still wanting to buy something, he adulterated the lawful money (gold coins) by diluting the gold with copper. The adulterated coins would be the same size as the original coins; they'd look like the original gold coins but, in fact, they'd contain less gold (less "money"). If his subjects refused to accept these adulterated coins, no matter. The king merely had his court rule that the money was worth whatever he says it was worth. After all, he was the king.

The King's adulteration of the original gold coins illustrates an important point: historically, "money" was not the coin, not shape or the size or the official emblem stamped on the coin—money was the exact *physical mass* of metallic gold or silver within the coin. When the king adulterated the coins, he began to understand that ignorant subjects would accept the official *symbol* for money stamped on the coin as if it were real money.

In other words, real money might be a one ounce disk (coin) of pure gold bearing the kings official seal which "certified" the disk was in fact pure gold. Over time, people came to trust the King's certification and lost their understanding that the "money" was the gold, not the King's official seal. This allowed the king to produce coins that were 70% gold (money) and 30% copper (base metal) and—once he placed his official seal on them—pass them off as if they were 100% gold (real money).

Today, we see the same phenomenon at work when you and I accept Federal Reserve Notes bearing the government's official seal as if it were real money (gold). We have come to accept the *symbol* for money, the certification for money, the evidence of money—as if it were real money (a physical mass of gold or silver).

Goldsmith bankers

Let's return to merry old England. Imagine you've worked hard and saved some money (coins). Where will you put that money for safe keeping? In most communities there was a goldsmith who had a large iron box where he kept his gold and silver. You ask the local goldsmith to keep your gold and silver in his safe. He agrees and you pay him a fee for his service. As proof he has your gold and silver, he gives you a receipt.

The next time you want to buy something, rather than first getting your gold coins from the goldsmith and then buying whatever you want, you use your gold receipt. It's quicker and easier. As long as the seller can go to the goldsmith and redeem the certificate for gold, everything works fine. This is how paper receipts (symbols) for coins began to circulate *as if* they were money.

Now, place yourself in the position of the goldsmith-banker. How long would it take you to realize that very few people ever come at

the same time to redeem their gold certificates? In other words, if 100 people placed their gold coins in your safe, and you issued each of them receipts for their coins, no more than a handful might come back to the bank on any given day asking to exchange their paper receipt for their actual gold coins (money).

As a result, although you might owe 10,000 gold coins to your neighbors, there'd almost always be 9,000 gold coins simply lying in your safe, unused and uncounted by anyone but you.

Maybe one day, like the king who adulterated his coins, you find yourself short of gold and silver to buy a new ox cart for your farm. Would you say No to temptation, or would you tell yourself, "I'll issue a gold receipt without any actual gold to back it up because, after all, who will check up on me? Besides, I'll have the gold in a few days to make it right."

Where's the harm? You give the owner of the ox cart one of your receipts, and if he's like most villagers, he won't even redeem the paper receipt for actually coins. Instead, he may simply give the receipt to another farmer to pay for a new ox. But even if he redeems the receipt for actual gold coins, there are plenty of gold coins just laying unused in the safe anyway. There's virtually no chance that the entire community will try to redeem all of their gold coins in the next few days. So why not use a few gold coins to buy that new ox you've been wanting?

Once you realize how easy it is to buy an ox cart with your neighbors' unused coins, you may also decide to buy another ox to pull the cart, and maybe a barn where the ox can sleep. And then there's that new home you wanted.

If you're not careful, you'll quickly learn that spending your neighbor's gold coins or your own gold receipts raises certain unsettling questions. As people realize there are dozens of *your* gold receipts in circulation and you are getting surprisingly wealthy, they begin to wonder how a simple goldsmith came to own so much money. As a result, some goldsmith bankers who under-estimated the public's capacity for ire were hung.

However, you come up with a new plan that gives you something for nothing but doesn't make it too noticeable. Your plan is simple: instead of merely giving a receipt for gold deposited and holding onto the gold, you *loan* your neighbor's gold coins to individuals who've made no gold deposit in return for collateral (should the loan fail) and interest. Later, you start loaning mere gold receipts as if they were money in return for payment in gold and interest. As long as you don't get too greedy, you can get "something" (interest) for "nothing" (the borrowed paper receipt for un-deposited gold). Soon you and other goldsmith/bankers are lending four times as many paper receipts as you have gold deposits.

Official legitimization

The goldsmith/bankers' procedure was clever, but clearly deceitful and arguably criminal. Like Rumplestiltskin, they were literally spinning straw into gold.

However, that alchemy was legitimized in the 17th century when the king of England needed a great deal of money to fight a war. The king turned to William Paterson and his friends who pooled their resources and came up with £72,000 in gold and silver. But instead of lending the gold and silver directly to the king, they formed a bank and printed paper receipts equal to almost seventeen times as much as their gold and silver reserves. They lent the king £1.2 million at 8.33% annual interest.

Although their 8.33% interest seemed reasonable when calculated on £1.2 million in *paper* money receipts, the true interest (calculated on the original £72,000 in gold and silver) was almost 140%! Through "fractional reserve banking," their yearly interest was £100,000 on their original £72,000 in gold and silver—that didn't even leave their bank! If the king understood, he didn't care; he had a war to fight. After all, he would simply raise the taxes on his subjects to pay the interest (in *real* money; gold and silver coins).

Paterson and his friends were now "connected" and protected. He had the foresight to lend his paper receipts to the government. Since these receipts were needed to fight a war, the king couldn't allow them to fail. He declared them "legal tender". These receipts were now regarded as the *same* as the gold which they merely *represented*. An indestructible bond between governments and bankers was forged and a new "golden rule" came into being: those that have the gold, *rule!*

Nothing new under the sun

Since paper money first began circulating, the situation has changed little. When the federal government wants more money it borrows it from, and through, the private banking system, the Federal Reserve. The owners of the Federal Reserve System are in no need of gold or silver to back up their loans to the government. Their money is "legal tender" rather than lawful money. Unlike Paterson's 16th century bank, today there is no longer any tangible gold or silver in the system.

The bankers are still receiving something (interest) for nothing (paper receipts; promises). And you, as a subject, give the bankers one-third of your productive efforts when you pay federal income taxes and social security.

To understand what is happening with our money today, we need to refer to Article 1, Section 8 in the US Constitution:

> "The Congress shall have Power to coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures."

It's important to understand that the, "power to coin money," is just that, *coin*, not "print". Because if you have the power to "print" money, you end up with paper money that is worthless—just as worthless as the English goldsmith/bankers' *receipts* for money.

To ensure that no one but Congress had control of this country's

money, the Founding Fathers also added Article 1, Section 10 which reads:

> "No State shall . . . coin Money; emit Bills of Credit; make any Thing but gold and silver coin a Tender in Payment of Debts."

With these two articles, the Founding Fathers felt they had ensured the stability of the country's money supply.

In 1792, Congress passed the first Coinage Act which set the Standard Unit of Value and the ratio of gold to silver. A dollar was *legally defined* as 24.8 grains pure 9/10 fine gold or 371.25 grains of .999 fine silver. Note that a true "dollar" was—and still is—a fixed, tangible, physical mass of gold or silver metal.

Several times in our country's history Congress enacted laws that violated the Constitutional provisions governing money. The last time Congress unlawfully turned over their responsibility to manage the country's money supply was with the enactment of the Federal Reserve Act in 1913. For a period of time, the Federal Reserve willingly exchanged gold and silver for paper certificates on demand. But, as the depression of 1929 deepened, Congress passed a law making it unlawful to own gold, and the banks stopped redeeming paper money with gold in 1933. All that remained to support our money was silver but that was removed by presidential order in 1968.

Today there is no gold or silver backing up our currency—only the "full faith and credit" of the United States government. The federal government has pledged you and your ability to earn money as collateral to the international bankers for over $4 trillion in loans.

This is a great deal for the bankers. The bankers put up nothing, and you, as a virtual slave, turn over to the bankers one-third of your income to pay your "fair share" of the federal income tax. And does your "fair share" pay for the running of the federal government? No. It merely pays the interest on the national debt; a debt that was created as a mere bookkeeping entry.

Local Bank Fraud

The bankers' fraud does not stop with the owners of the Federal Reserve. It continues through our system and includes every bank, every savings and loan and every credit card company. The fraud reaches into every one of your banking transactions. All of them, without exception, extend the control of the bankers over our lives.

Consider this scenario: You want to purchase a used car. You arrange with Bank A for a loan and fill out the papers. The banker gives you a check made out to the car dealer for $5,000. You give the check to the car dealer. The dealer transfers the car to you and deposits the $5,000 check into his account at Bank B. It happens all the time.

But let's take a deeper look at the transaction. Did any money (gold or silver) leave Bank A (where you applied for the loan)? No. The money never left Bank A because the banker didn't give you

any. He gave you bank check which is simply *credit* (a mere *promise* to pay; a *debt*).

But the courts have ruled that "A check is not *money*. " *School Dist. v. U.S. Nat'l Bank*, 211 P2d 723. Instead, "A check is an *order* on a bank to pay money." *Young v. Hembree,* 73 P2d 393. The courts have further ruled that "National banks may lend their *money* but not their *credit*." *Horton Grocery Co. v. Peoples National Bank* (1928), 144 S.E. 501, 151 Va. 195, because, unlike the Federal Reserve banks, local banks are not allowed, by law, to create money.

But they do it all the time.

What is Bank Credit?

Bank credit may be the biggest fraud going. It is the creation of bills of credit by private corporations for their private gain. This is one of the most important issues we face because 95% of our nation's "money" supply consists of "nothing" but bank credit.

While Federal Reserve notes at least retain the physical reality of virtually worthless paper, bank credit is completely intangible, imaginary and merely a promise. The closest you will ever get to actually seeing, touching, or weighing "bank credit" is to look at your checkbook or credit card.

Essentially, bank credit is nothing more than the *creation of numbers* which are added to your checking account in a bank's bookkeeping department. When you write a check, numbers called "dollars" are transferred from your checking account to someone else's checking account. But no real dollars (grains or grams of actual gold or silver) ever change hands. No real dollars are even involved. All that ever changes is our *belief* that your wealth is diminished when the bank deducts "5,000" from your account, and my wealth is increased when I deposit the "5,000" into my account. Because these deductions and deposits are not tangible, nothing has actually changed except our opinions and beliefs concerning our relative wealth. You believe you are diminished by "5,000", I believe I am increased by "5,000"—but in fact, we are both still broke since your "5,000" and mine represent nothing tangible.

Through an elaborate communication system, Bank A deducts "5,000" from your account, Bank B deposits "5,000" to my account, and use these identical deduction/deposits to eliminate any need to actually trade real money. This seems like an efficient system, until you recognize that the bankers issuing these check/promises are demanding *tangible* collateral (land, property) to secure their intangible loans and your productive effort to repay the interest on borrowing their *intangible*, imaginary "money". Bank credit is created when a banker hands you a check after you take out a loan. This check is not "money" (gold or silver); it is merely the bank's *promise* to pay money to the payee on the check.

The basis for the fraud is that the bank writes checks against funds (real money; a fixed weight of gold or silver) which, by legal definition, *do not exist.* Bankers receive something tangible for nothing more than their promise. Would you rather have a steak dinner,

or a *promise* of a steak dinner? We give bankers our real steaks (collateral) in return for their *promises* to take us to dinners that never happen. As we trade our steaks for their promises, many of us have gone bankrupt and surrendered our tangible homes for their intangible promises.

Fractional Reserve Banking

Thanks to "fractional reserve banking," the bank's original fraud of the trading a mere promise (credit) for something tangible (my collateral) is multiplied by at least nine times. I.e., when the car dealer deposits my "5,000" check into his account, his bank then had access to 5,000 more dollars to loan to others. However, modern fractional reserve banking regulations only require banks to keep about 1/10 of whatever money they've loaned out in the bank as "real" money. As a result, banks can loan up to *nine times* as much "money" as is deposited. Therefore, based on my deposit of 5,000 imaginary dollars, bank B can now lend an additional *45,000* imaginary "dollars" to other bank customers and charge each of then 10% interest (after each of them has risked their homes, cars or other tangible wealth as collateral).

Much like Mr. Patterson and company used £72,000 in real money in the 1600s to generate an annual interest rate of 140%, today's banks loan the same "money" *nine times* at 10% per loan to generate a collective 90% interest rate on the original deposit. However, unlike Patterson, today's bankers use no real gold or silver money deposits whatsoever. All bank credit is created out of thin air and "public confidence".

That's why I said "*you* the determine value of money." Your *belief*, and only your belief, sustains the value of our intangible, imaginary "money".

According to Barbara Marciniak, in her 1992 book, *Bringers of the Dawn*:

> "You believe that you live in the land of the free and the home of the brave, yet you live in the most controlled experimental society on the planet."

When I first read that statement in 1992, I didn't believe it. Today, I regard it as Gospel.

Your Money's No Good Here!

by Alfred Adask

Most people might suppose the study of money is interest ing, but too esoteric to have much relevance to daily life or our relationship to government.

However, a few have studied money and tried to test their understanding through more "practical" applications. For example, I know one Texan who used the following administrative notice repeatedly throughout the 1990s to stop enforcement of traffic ticket fines and similar fees or monetary penalties. The notice has three premises:

1) The State of Texas is prohibited by state and federal law from accepting anything other than "lawful money of the United States" as payment for fines, fees and penalties.

2) "Lawful money" is defined by federal law as gold or silver coins;

3) The government removed virtually all gold and silver coins from circulation.

Therefore, the notice concludes:

1) It is impossible to pay Texas fines in "lawful money";

2) No person can be jailed or otherwise penalized for failing to do the impossible; and thus

3) The "accused" cannot be forced to pay his traffic fine in "non-lawful" money such as Federal Reserve Notes.

In sum, the State of Texas appears paradoxically prohibited from collecting fines in modern currency (Federal Reserve Notes).

These conclusions may sound farfetched, but I know several individuals who've used them successfully to avoid paying traffic tickets. R.D. reportedly used this argument over a dozen times, and each time the government's collection effort simply disappeared.

Note that this strategy does not purport to stop prosecution, conviction or assessment of fines—only the *collection* of *fines*.

Any Texan wishing to test this strategy should confirm the relevant cites are still accurate and complete—and then proceed only with much caution. Anyone outside of Texas who wants to test this strategy should fish through his state's laws to discover if his state government is also prohibited from accepting fines, fees, etc. in anything but "lawful money of the United States" and then use whatever cites create proper administrative notice for his state.

I'm not recommending anyone try this strategy. It's possible that the strategy is fundamentally flawed. But even if it's defective, it's clear that government is very reluctant to confront the "money issue". The judges and prosecutors understand that modern currency is not "constitutional" and they do not wish to discuss the issue in a public forum nor do they wish to make any judicial rulings on the subject that can ultimately help the people to better understand "money". Therefore, when a case raises the money issue, that case often simply "disappears".

Thus, I'm presenting the strategy not as a recommendation, but as a small illustration that an understanding of nature of money can produce some surprising results.

> "It is apparent from the whole context of the Constitution as well as the history of the times which gave birth toit, that it was the purpose of the Convention to establish a currency consisting of the precious metals. These were adopted by a permanent rule excluding the use of a perishable medium of exchange, such as of certain agricultural commodities recognized by the statutes of some States as tender for debts, or the still more pernicious expedient of paper currency."
>
> President Andrew Jackson, 8th Annual Message to Congress (December 5, 1836)

City of Dallas,
State of Texas, ACCUSER
V.
John Doe
In Propria Persona, ACCUSED

Cause # 123456789

Notice Of Desire To Pay
All Traffic Fines, Fees, Costs and Penalties

I, John Doe, ACCUSED, give this, my "NOTICE OF DESIRE TO PAY ALL TRAFFIC FINES, FEES, COSTS AND PENALTIES" to the Judge of the Court, on this the 28th day of February, 1999.

However, due to the Constitution for the united states of America, at Article 1, Section 10, Clause 1, which mandates that "No state shall make any Thing but gold and silver Coin a Tender in Payment of Debts," said Clause remaining UNREPEALED to date, and

Due to the Texas Code of Criminal Procedure at Article 43.02, which states that all fines, taxes, penalties and remunerances "shall be collected in the lawful money of the United States only", said Article remaining UNREPEALED to date, and

Due to Federal Law, Title 12, Section 152, which defines "Lawful Money of the United States" to ONLY be "gold coin" and "silver coin", said section remaining UNREPEALED to date, and

Due to 48 Stat. 2, (March 09, 1933) and 48 Stat. 113, (June 05, 1933) all gold coin was removed from common circulation, at par, at the banks in America, said Statutes, remaining UNREPEALED to date, and

Due to Public Law 8931, (July 23, 1965) Senate #2080, and Public Law 9029, (June 24, 1967) Title 50, Section 9898 H, and 60 Stat. 596, all silver coin was removed from common circulation at par, at the banks in America, said Public Laws, Sections and Statutes remaining UNREPEALED to date,

I, the accused, AM THEREFORE CONSTRAINED BY THE LAW FROM PAYING THIS CLASS C fine, fee, cost or penalty.

Since Federal Reserve Notes, or checks or money orders payable only in Federal Reserve Notes are not within the definition of those things allowed by law to be received by the court, any threat to incarcerate me for "failure to pay" those things will be deemed to be an attempt to solicit an honorarium in violation of Texas Penal Code, Title 8, Section 36.07 or 36.08.

This is neither contempt, nor default, but merely a declaration that until Congress returns America to a Constitutional monetary system, it is impossible for me to pay fines, and IMPOSSIBILIUM NULLA OBLIGATIO EST, that is; There is no obligation to do impossible things.

Further, ACCUSED sayeth naught

s/ John Doe

Things You Aren't Supposed To Think About

by Oakland County Taxpayers Association

If you're not confused by the laws, theories and questions surrounding income tax, try making sense of the fundamental object behind the whole taxing process: money.

To "muse" is to think—"amuse" is to not think.

We are "amused" by ball games, booze, pornography, preachers, and presidents which keep us from thinking about things that we *should* think about such as:

Gold standard

Gold and economic freedom are inseparable, . . . the gold standard is an instrument of laissez-faire and . . . each implies and requires the other.

What medium of exchange will be acceptable to all participants in an economy is not determined arbitrarily. Where store-of-value considerations are important, as they are in richer, more civilized societies, the medium of exchange must be a durable commodity, usually a metal. A metal is generally chosen because it is homogeneous and divisible: every unit is the same as every other and it can be blended or formed in any quantity. Precious jewels, for example, are neither homogeneous nor divisible and are therefore unsuitable as "money".

More important, the commodity chosen as a medium must be a luxury. Human desires for luxuries are unlimited and, therefore, luxury goods are always in demand and will always be acceptable. The term "luxury good" implies scarcity and high unit value. Having a high unit value, such a good is easily portable; for instance, an ounce of gold is worth a half-ton of pig iron . . . .

Under the gold standard, a free banking system stands as the protector on an economy's stability and balanced growth. In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value. If there were, the government would have to make its holding illegal, as was done in the case of gold in 1933.

The financial policy of the welfare state requires that there be no way for the owners of wealth to protect themselves. This is the shabby secret of the welfare statists' tirades against gold. Deficit spending is simply a scheme for the "hidden" confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights. If one grasps this, one has no difficulty in understanding the statists' antagonism toward the gold standard.

> "The gold standard is incompatible with chronic deficit spending (the hallmark of the welfare state). Stripped of its academic jargon, the welfare state is nothing more than a mechanism by which governments confiscate the wealth of the productive members of a society to support a wide variety of welfare schemes. . . ." *Alan Greenspan, "Gold and Economic Freedom".*

Inflation

- "Inflation" is defined in the *Random House Dictionary* as "undue expansion or increase of the currency of a country, esp. by the issuing of paper money not redeemable in specie."
- "Inflation is not caused by the actions of private citizens, but by the government: by an artificial expansion of the money supply required to support deficit spending. No private embezzlers or bank robbers in history have ever plundered people's savings on a scale comparable to the plunder perpetrated by the fiscal policies of statist governments."—'Who Will Protect Us From Our Protectors?*" TON,* May 1962.
- "The law of supply and demand is not to be conned. As the supply of money (of claims) increases relative to the supply of tangible assets in the economy, prices must eventually rise. Thus the earnings *saved* by the productive members of society lose value in term of goods. When the economy's books are finally balanced, one finds that this loss in value represents the goods purchased by the government for welfare or other purposes with the money proceeds of the government bonds financed by bank credit expansion."—Alan Greenspan, "Gold and Economic Freedom," *CUI,* 101.
- "There is only one institution that can arrogate to itself the power legally to trade by means of rubber checks: the government. And it is the only institution that can mortgage your future without your knowledge or consent: government securities (and paper money) are promisor notes on future tax receipts, i.e., on your future production."— "Egalitarianism and Inflation," *PWNI*, 156; pg. 128.

"High" finance, international

Cuba announced that it planned to sell houses to the Cuban people who had been renting those houses, "to bring in much-needed hard currency to the Cuban government." WHAT money can the Cuban government collect from the Cuban people that the Cuban government does not already print without restraint?

The Russians were said to have exchanged 250 tons of gold for "hard currency." Just what currency did Russia obtain that was "harder" than their gold?

We are told that Russia and China borrow from U.S. banks and King Solomon told us, "The borrower is servant to the lender." Were the newspapers lying about the borrowing or did Solomon lie OR were both the newspapers and Solomon telling the truth?

Why would the Russians give up their valuable gold for Federal Reserve *credit* if they are not in fact *servants* of the Federal Reserve?

"High" finance, domestic

Why does our government print bonds to get our paper money from us when they can print all of the paper money that they want?

If government does not print all of the money that they want, why don't they? WHAT restrains them?

If our government can print money, why can't ALL governments print money?

If ALL governments can print money, why do all governments *borrow* money?

Why would any government need taxes if all governments can print (paper) money?

Why don't states and cities print all of the (paper) money they need and forget about taxes when the Constitution does not prohibit their printing money?

How can the IRS get MONEY from us when the IRS has written that dollar bills "are not dollars" and the Federal Reserve System wrote that their monetary system works "only with credit?" If credit exists only in our minds, wouldn't they have to control our *minds* to work us with credit? *Do they?*

Did paper dollar bills remain "money" when the express promise to redeem them in real money (silver) was deleted from the bills in 1963?

Why does ONE Federal Reserve bank shred five *tons* of Fed notes daily instead of giving the money to the starving people of the world who would not care that the money was torn or soiled?

What do the first users of money give for it and who do they give it to? Wouldn't the recipient be the first user?

When you offer a $5 bill for a $1 purchase and you receive four $1 bills as change, do you receive four times as much money as you offered or four times as much PAPER? Does this question prove that paper "money" is *not* real money?

When government prints money, do they pay for the paper, ink, and labor with the money that they print? If not, what do they pay for it with?

If government can pay for the paper, ink, and labor with the money they print, does it really cost them anything, or is it free?

Does government create 5 dollars when it prints a five dollar bill and ten times as much if it adds a zero (0) after the five to create 50 dollars when it prints a fifty dollar bill?

Can government print any number it wants on the paper when printing money?

Who tells government what numbers to print on the paper?

Why are we forced to pay interest on the national debt when government could print one piece of paper with a number on it equal to the national debt and pay it off?

With the deficit so huge, why were IRA and Keough plans created that reduce tax revenue and thereby increase the deficit? Is the deficit a phoney?

Perhaps more to the point—is our paper money a phoney? As I begin to understand the nature of money, I wonder if the real reason for the IRS is not to collect money so much as to "put on a show" so intimidating that Americans are persuaded that the paper we carry in our pockets must be "real" money. All the IRS's cost, regulation and judicial violence is an implicit "proof" that our paper money has real value. After all, surely government wouldn't go to all that expense of harassing, fining and jailing Americans for failing to pay income tax if the only money we had was essentially worthless—or would they?

In the final analysis, the IRS may be more of an intrinsic component of our banking/ money system than the collection agency of the Federal government. And whatever is going on between banks, government, and the IRS is being done with smoke, mirrors and deceit that defy both common sense and common law.

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It's not the Money, It's the Principal (whatever *that* is)

by Alfred Adask

I have photocopies of three letters allegedly written by officials of the U.S. Department of The Treasury discussing the nature of Federal Reserve Notes (FRN's). I can't prove the photocopies are legitimate, but I believe they are. The dates on the first two letters are 1977 and 1982; the third letter's date is unclear. Assuming these letters are legitimate and the statements they contain accurate, they offer some interesting insights into our money system.

The first letter is marked "Exhibit 0-8" and was apparently used in someone's trial, but the name of the recipient has been whited out and is unknown to me. It's simply one of those millions of document's that float like autumn leaves through the constitutionalist community. (The italicized highlights are my additions.)

Department of The Treasury
Office Of The General Counsel
Washington, D.C. 20220
Feb 18, 1977

Dear Mr. ________

This is to respond to your letter of November 23, 1976 in which you request a definition of the dollar as distinguished from a Federal Reserve note.

Federal Reserve notes are not dollars. Those notes are *denominated* in dollars, which are the unit of account of the United States money. The Coinage Act of 1792 established the dollar as the basic

unit of the United States currency, by providing that "The money of account of the United States shall be expressed in dollars or units, dimes or tenths, cents or hundredths . . ." 31 U.S.C. Sect. 371.

The fact that Federal Reserve notes may not be converted into gold or silver does not render them worthless. Mr. Bernard of the Federal Reserve Board is quite correct in stating that the *value* of the dollar is its *purchasing power*. Professor Samuelson, in his text Economics, notes that the dollar, as our medium of exchange, is wanted not for its own sake, but *for the things it will buy*.

I trust this information responds to your inquiry.

Sincerely yours,
Russell L. Munk
Assistant General Counsel

The second letter was written in 1982 from the Department of The Treasury to Bryon Dale—a student of the American money system.

As Mr. Dale knew (and the letter confirms), in 1982 the Federal government printed our paper money (Federal Reserve Notes) for $20.60 per thousand physical notes, then sold the Notes *at cost* to the Federal Reserve, which ultimately loaned the notes to the public *at full face value*—plus interest (the interest alone is typically more than the cost for printing the Note).

Under this arrangement, in 1982 the Federal Reserve could buy a $100 FRN (Federal Reserve Note) from our government for about two cents (today the cost is about four cents), and ultimately loan it back to the American people at full face value ($100). Plus interest. (Quite a deal, hmm? How'd you like to buy mere pieces of *paper* for two cents each and then loan 'em for $100 each—plus interest?!)

Based on a similar analysis, Byron Dale enclosed a $1 Federal Reserve Note with his letter to the Bureau of Engraving and Printing and offered to buy a freshly printed $100 bill directly from the government for $1 FRN. It sounds silly, but technically, it might be a good deal. After all, the Federal Reserve would only pay two cents for that $100 bill, so Byron's $1 offer was 50 times greater.

Here's government's response to Mr. Dale's "generous" offer (again, I've emphasized some sections with *italics*):

Department Of The Treasury
Bureau Of Engraving And Printing
Washington, D.C. 20228
December 14, 1982

Mr.. Byron C. Dale
R.R. 2, Box 72
Timberlake, South Dakoka 57656

Dear Mr. Dale:

This is in response to your letter of November 15, 1982 in which you enclose a $1 Federal Reserve note and request to purchase a one hundred dollar bill.

The Bureau of Engraving and Printing produces the Nation's paper currency and sells it to the Federal Reserve system for $20.60 per one thousand notes. The notes, however, are not money until they are monetarized and issued by a Federal Reserve Bank. To obtain notes, a *Federal Reserve Bank must pledge collateral* equal to the face value of the note. Collateral must consist of the following assets, alone or in any combination: 1) gold certificates, 2) special Drawing Right certificates, 3) U.S. Government securities, and 4) "eligible paper," as described by Statute.

Federal Reserve Notes are *obligations of the United States*, and have a first *lien* on the assets of the issuing Federal Reserve bank. *Money without backing is worthless*, and in effect, you are suggesting that currency be printed without the necessary collateral which is required of the Federal Reserve Bank.

I hope this information is helpful. Your $1 FR note is returned.

Sincerely,
M. M. Schneider
Acting Executive Assistant

Well, the government didn't take Mr. Dale's deal, but then they didn't keep his "$1 FR note", either. Although they conceded that "Money without backing is worthless", they also assured Mr. Dale that any mix of "gold certificates, special drawing Right certificates, U.S. Government securities, and 'eligible paper' as described by statute" would provide the necessary backing to make Federal Reserve Notes "worth something" (as opposed to "worthless").

Here's the third letter (date uncertain) from the government which discusses Federal Reserve Notes (italicized highlights, my addition):

Department Of The Treasury
Washington, D.C. 20220

Gaylon L. Harrell
Latham, Illinois

Dear Mr. Harrell:

This is in response to your letter to me of August 10 in which you asked a further question about Federal Reserve notes.

Federal Reserve notes are legal tender currency (31 U.S.C. 5103). They are issued by the twelve Federal Reserve Banks pursuant to Section 16 of the Federal Reserve Act of 1913 (12 U.S.C. 411). A *commercial bank* which belongs to the Federal Reserve System can obtain Federal Reserve notes from the Federal Reserve Bank in its district whenever it wishes, but it must pay for them in full, dollar for dollar, by drawing down its account with its district Federal Reserve Bank.

The Federal Reserve Bank in turn obtains the notes from the Bureau of Engraving and Printing in the United States Treasury Department. It pays to the Bureau the cost of producing the notes. The Federal Reserve notes then become liabilities of the twelve Federal Reserve Banks. Because the notes are *Federal Reserve liabilities*, the issuing Bank records *both* a *liability* and an *asset* when it receives the notes from the Bureau of Engraving and Printing, and therefore *does not show any earnings* as a result of the transaction.

In addition to being liabilities of the Federal Reserve Banks, Federal Reserve notes are *obligations of the United States Government* (12 U.S.C. 411). Congress has specified that a Federal Reserve Bank must hold collateral (chiefly gold certificates and United States securities) equal in value to the Federal Reserve notes which that Bank receives (12 U.S.C. 412). The purpose of this section, initially enacted in 1913, was to provide backing for the note issue. The idea was that if the Federal Reserve System were ever dissolved, the United States would take over the notes (liabilities) thus meeting the requirements of [12 U.S.C.] 411, but would also take over the assets, which would be of equal value. The notes are a first *lien* on all the assets of the Federal Reserve Banks, as well as on the collateral specifically held against them (12 U.S.C. 412).

Federal Reserve notes are not redeemable in gold or silver or in any other commodity. They have not been redeemable since 1933. Thus, after 1933, a Federal Reserve note did not represent a promise to pay gold or anything else, even though the term "note" was retained as part of the name of the currency. *In the sense that they are not redeemable, Federal Reserve notes have not been backed by anything since 1933*. They are valued not for themselves, but for what they will buy. *In another sense*, because they are a legal tender, Federal Reserve notes are "backed" by *all goods and services in the economy*.

I hope that this information is useful to you.

Sincerely,
Russell L. Munk
Assistant General Counsel

In a sense . . . ? In another sense? Interesting. Note that the second letter explained that "Money without backing is worthless", and the third (undated) letter declared, "Federal Reserve notes have not been backed by anything since 1933."

Are FRN's therefore worthless?

Well, we can't quite tell from the third letter. After all, the writer hedged his comments by saying "*In the sense* that they are not redeemable, Federal Reserve notes have not been backed by anything since 1933," but also "*In another sense*, because they are a legal tender, Federal Reserve notes are 'backed' by all goods and services in the economy."

Hmm. Sounds mysterious. "In the sense" vs. "In another sense" . . . golly, which "sense" do you suppose is correct? (Alternatively, which sense is "politically correct"?) Is the FRN worthless or not? And why do you suppose assistant General Counsel Munk wouldn't give us a straight answer but instead preferred the ambiguity of "in another sense"?

The answer to which "sense" applies is suggested in the first (1977) letter which declares the value of a dollar is in its "purchasing power," in "the things it will buy". Virtually every analyst agrees that due to inflation, today's Federal Reserve "dollar" is worth less than a nickel as compared to the FRN of 1933. Therefore, although we can't truly say the FRN dollar is "worthless" (it's still worth a couple of cents as compared to 1933), it's fair to say the FRN is *almost* worthless—and, given it's persistent six decade decline, "in that sense" likely to become "completely" worthless (i.e., "obviously worthless"—even to the public) in the foreseeable future. That is, the time may be approaching when there'll be no more suckers dumb enough to take FRNs in trade for real property or services.

Every FRN has a silver lining?

Does this mean we should abandon our FRNs and start hoarding gold coins in a tin can buried in the back yard? Could be. After all, even government subtly discourages use of FRN's by encouraging suspicion about anyone who pays his bills with cash. Aren't we a little embarrassed if we don't have credit cards? Think you can pay cash for a new home or car without arousing the suspicions of the real estate agent or car dealer? Recent laws mandate that not only banks, but even *merchants* notify the Federales is someone pays more than $10,000 in cash for any products or services.

We're taught that the common denominator among drug pushers, prostitutes, criminals, and especially tax evaders is a tendency to do business in cash. In fact, carrying "too much" cash has become prima facie evidence of criminal activity. By encouraging the anti-cash bias, government pushes for a "cashless, FRN-less society" where everyone uses plastic cards to conduct computer-recorded business that can't take place without government getting its cut.

According to the third letter: **"**Because the notes are Federal Reserve *liabilities*, the issuing Bank records *both a liability and an asset* when it receives the notes from the Bureau of Engraving and Printing, and therefore does not show any earnings as a result of the transaction."

However, I'm intrigued by the idea that FRNs are "recorded" by the Bank that buys them as *both* liabilities *and* assets. (I can't help

wondering if this dual-character somehow conforms to the "double entry" system of bookkeeping.)

It's easy to see that if you earn $100,000 in real, *asset-based* money, your personal assets have increased and you may be subject to income tax. It's also possible to imagine that if your "income" is denominated in a *debt-based* money, you've actually suffered a loss and might be exempt from income taxes. But what can you see or imagine if your income is denominated in a currency that is *both* asset and liability?

If, as the third letter claims, FRNs are *both* "liabilities" and "assets," what are they? Accounting units. What else could they be?

Moreover, the third letter says "the issuing Bank records both a liability and an asset when it receives the notes from the Bureau of Engraving and Printing, and therefore does not show any *earnings* as a result of the transaction." This implies that the liabilities and assets inherent in each FRN are *equal*, and therefore the *value* of any FRN is *zero*. I.e., if I have a $100 FRN that represents $100 in assets and $100 in liabilities—what is my FRN worth? Subtract the liabilities from the assets. If they're equal ($100 - $100), the answer's *zero*.

So what is my FRN? It's a *unit of measure*, no different from inches, feet, pounds, tons, and centigrams. It's an accounting unit. A number.

What is the tax on a *number*? Is the tax on 100,000 more than the tax on 1,000? It depends. 100,000 what? 1,000 what? The tax on 100,000 *dollars* is clearly more than the tax on 1,000 *pennies*. The tax on 1,000 dollars and 100,000 pennies is identical. And a tax on 1,000 pennies is greater than the tax on 100,000 grains of sand. The taxable item is not the unit of measurement, but the *commodity* it describes.

Therefore, is the tax on $100 in gold-backed money the same as the tax on $100 FRN? Can I be taxed on the basis of an income denominated in *units of measurement* that the issuing Federal Reserve Bank leads me to believe are worth *zero*? If the Federal Reserve Bank can count a FRN as both an asset and liability, can I do the same and also have no earnings to be taxed?

Those questions sound ridiculous, but there is some supporting law. Consider 31 U.S.C. § 742 (which deals with "Public Debt"):

> "Exemption from taxation. Except as otherwise provided by law, all stocks, bonds, Treasury notes, and other *obligations of the United States*, shall be *exempt from taxation* by or under *State* or municipal or local authority. This exemption extends to *every* form of taxation that would require that either the *obligations* or the interest thereon, or both, be considered, directly or indirectly, in the computation of the tax, except nondiscriminatory franchise or other non-property taxes in lieu thereof imposed on corporations and except estate taxes or inheritance taxes." (R.S. § 3701; Sept. 22, 1959, Pub.L. 86-346, Title I, § 105(a), 73 Stat. 622.) [emph. add.]

Now consider, 18 U.S.C. §8:

> "Obligation or other security of the United States defined.
>
> "The term 'obligation or other security of the United States' includes all bonds, certificates of indebtedness, national bank currency, *Federal Reserve notes, Federal Reserve bank notes*, coupons, United States notes, Treasury notes, gold certificates, silver certificates, fractional notes, certificates of deposit, bills, checks, or drafts for money, drawn by or upon authorized officers of the United States, stamps and other representatives of value, of whatever denomination, issued under any Act of Congress, and canceled United States stamps." [emph. add.]

Hmph. According to our last two letters and 18 U.S.C. §8, FRNs are "obligation[s] . . . of the United States". According to 31 U.S.C. 31 §742 ". . . obligations of the United States, shall be exempt from taxation by or under State or municipal or local authority". Therefore, it might be argued that anyone paid in cash (FRN's) for their work or products might be exempt from paying a state income or sales tax.

Further, "This exemption extends to *every* form of taxation that would require that either the *obligations* or the interest thereon, or both, be considered, directly or indirectly, in the computation of the tax." Therefore, it appears that if I bought a car or a house and made it abundantly clear on the bill of sale that I paid cash with FRNs (I might even list the serial number of each bill used to pay the bill), that car or house might not be subject to state or local property taxes since its value was computed "directly or indirectly" in FRNs ("obligations of the United States").

If this were so, you can see why government would want a FRN-less (cash-less) society. With an all-electronic financial system, every transaction would be automatically denominated in "Dollars", there'd be no opportunity to claim you were paying or being paid in tax-exempt FRNs, and if you didn't like it, you'd have to do without. Result? Every financial transaction would not only be taxable but electronically and instantly taxed.

However, until government establishes its FRN-less utopia, it's remotely possible that, with additional research and effective argument, use of "virtually worthless" FRNs might enable you to avoid state and local taxes of "every form".

Crazy, hmm?

Welcome to the Alice In Wonderland world of paper money, taxes, and "high" finance. (Makes you wonder what bankers and IRS officials are smoking, doesn't it?) But it gets even more bizarre.

Viva Villa!

I remember a black and white movie called *Pancho Villa* from the 1930's (maybe 1940's) which starred Victor McLaughlin as the Mexican revolutionary. There's a scene where two Europeans printers arrive with an enormous sum ($20 million?) of new paper money that

Pancho Villa ordered printed for his new Mexican government. The printers ask to be paid the agreed fee ($100,000?). The childlike Villa orders his Lieutenant to peel $100,000 from the freshly printed $20 million and pay the printers. The printers, of course, refuse to accept a *portion* of the money they printed as payment for *all* the money they printed. Simplistic Villa does not understand money, is bewildered by the printers' demand, but eventually pays the printers in real money (gold-backed) .

It's an amusing scene, but it makes a point that should also apply to our government's "sale" of freshly-printed FRNs to the Federal Reserve System. Unless our government is truly dumber than Pancho Villa (and I don't deny the possibility), it's pretty hard to imagine Washington is fool enough to print $1 billion in $100-denominated FRNs and then sell 'em to the Federal Reserve for just $400,000 (current production costs are about four cents per note) in the *same* FRNs they just printed. This is equivalent to General Motors selling Cadillacs to the public for the price of one spare tire (which can be found in the trunk of each new Cadillac).

> "A Federal Reserve Note [is] merely an IOU. Here's how it works. When the politicians want more money, they dispatch a request to the Federal Reserve for whatever sum they desire. The Bureau of Printing and Engraving then prints up bonds indenturing taxpayers to redeem their debts. The bonds are then 'sold' to the Federal Reserve. But note this unusual twist—the bonds are paid for with a check backed by nothing! It is just as if you were to look into your account and see a balance of $412 and then, hearing that government bonds were for sale, write a draft for $1 billion. Of course, if you did that, you would go to jail. The bankers do not. In effect, they print the money that enables their check to clear."
>
> **James Dale Davidson**
> Director, National Taxpayers Union

Perhaps one obstacle to understanding FRNs is the assumption that statements like that in the second letter: "The Bureau of Engraving and Printing produces the Nation's paper currency and sells it to the Federal Reserve system for *$20.60* per one thousand notes." That implies the Federal Reserve pays $20.60 in *FRNs* for each 1,000 newly printed FRNs. If that were true, we'd be right back in the land of Pancho Villa, using $20.60 in FRNs to pay the printer for 1,000 in freshly-printed FRNs. E.g., you order 1,000 $20 bills, then peel one off the top (plus 60 cents change) to pay for the $20,000 in $20 bills.

Even for government, that's too crazy to be true. If so, the "$20.60" paid for printing 1,000 FRNs, must designate a currency *other than FRNs*.

Let's hypothesize that the federal government will not accept FRNs to pay for the printing of FRNs, but instead insists on being paid in gold. That's not impossible. After all, back around 1913, when Washington first agreed to print and sell FRN's to the Federal Reserve, the country was only using real, gold-backed money. Just like the printers in the Pancho Villa movie, our government's Bureau of Printing and Engraving could not have agreed to accept *FRNs* in payment for printing *FRNs*. They must have demanded payment in something tangible, probably gold or some gold equivalent and it's likely that form of payment is still required. So let's play with the idea that, although each FRN currently costs only four cents to print, those

"four cents" are not "FRN-cents" but are denominated in *gold*-backed currency.

There are approximately 480 grains to an ounce. Prior to 1933, the conversion rate for "real" paper money to gold was $20/ounce; a real dollar was worth about 25 grains of gold; and each *real* penny (gold-backed; not FRN-pennies) was worth about 0.25 grains of gold. Today, if the Fed were still paying four cents in *real* money (gold) for each FR note, their cost for each FRN ($1, $5, $10, etc.) would be roughly 4 cents times 0.25 grains of gold/ cent, which equals 1 grain of gold.

With current conversion rates approaching $400 FRN per ounce (480 grains) of gold, each grain of gold is worth about $0.83 FRN ($400 FRN divided by 480 grains). So if the Federal Reserve were paying four *real* (gold-backed) cents for each FR Note, it would cost them about one grain of gold or $0.83 FRN to print a single FR note. If so, the Fed's real cost ($0.83) for buying a paper $1 FRN would be very near to its face value. As a result, the exorbitant profit the Federal Reserve enjoyed on $1 bills when an ounce of gold was still worth $32 FRN, is gone.

Of course, $5 FR notes are still lucrative, since they also only cost about $0.83 FRN (1 grain of gold) to print. $10, $20, $50, and $100 FR notes are even more lucrative, but like the $1 FR note, also subject to the ravages of inflation. As a result, it is conceivable that *paper* FRN's are becoming so costly (in real money, gold), that it may be unprofitable for the Fed to continue buying and then loaning them. If so, the Fed may also be secretly conniving to eliminate paper FRNs and restructure the money system to retain its extraordinary profit potential relative to real, gold-backed dollars.

Who owns your money?

Regardless of whether any of this fanciful speculation is remotely valid, a critical process still takes place in our money system when *our* government prints and sells the FRNs *we've* printed to the Federal Reserve System, and then allow the Fed to legally *own* and then *loan* those same FRNs back to *us*—and even charge *us* interest (rent?) on use of "their" notes (which *we* printed in the first place). In a sense, since the Federal Reserve System *owns* every paper FRN until both the principal and *interest* are paid off on whatever loan originally released the particular FRN into the economy, the Federal Reserve may be the true "owner" of every FRN in your wallet.

The possibility that you and I don't really "own" the "money" in our pockets might explain stories about government simply seizing someone's cash and refusing to give it back, even if the original possessor did nothing illegal. If it's not really "our" money (only pieces of paper someone *borrowed* but which truly belong to the Federal Reserve) we have *possession* but no lawful title to "our" FRNs.

Can government legally "detain" our cash (FRNs) until the issue of lawful title (ownership) is determined? Until you produce a bill of sale or some other proof that you *own* (not merely *possess*) those FRNs, government might be able to "presume" they are stolen and hold

them pending claim by the "lawful" owner. And unless the original loan that "monetized" your specific FRN has been paid in full with interest, no such proof of ownership would be possible.

On the other hand, if you could show that the original loan for the Bank series and serial number on your FRN had been paid, your mere possession of that FRN would be prima facie evidence of your ownership unless someone else could produce a superior title. If you owned your money, you could *pay* rather than merely *discharge* your debts. If you could actually *pay* your bills, you could actually *own* property.

Perhaps that's why the Fed routinely burns millions of "old" FRNs every day. Not because they're worn out, but because they are so old that it might be argued that the original loan which placed the FRNs in circulation had been repaid and therefore those "old" FRN's were truly "owned" by the possessor. . . .

When I asked a friend to proofread this article, he thought it was interesting, but incomplete. At the end of the article he wrote, "Does this piece have an ending?"

No. Not when I first wrote it in 1997.

I had no conclusion. And that bothered me. I was pretty sure I was dealing with interesting (possibly important) concepts, but I couldn't find a conclusion—only confusion.

However, "in a sense," maybe that's the point. A conclusion requires answers, data, evidence. All I seemed to have were questions, suspicions and inferences. But why? Was my inability to reach a conclusion based on my own laziness and inability to find facts?

Normally, I'd say Yes—the inability to reach a conclusion had to be my fault. But in this instance, I never thought so. The problem is that the same questions and suspicions I raised in 1997 had been banging around the constitutionalist community for several decades. And yet, to my knowledge, government has steadfastly refused to provide a coherent answer to questions concerning either the income tax or the money system.

Why?

And note that the lack of information and inability to reach supportable conclusions is not confined to myself. On April 14, 1993, Former IRS Commissioner Shirley Peterson said publicly that the Internal Revenue Code (IRC) is now:

> ". . . a virtual impenetrable maze. The rules are unintelligible to most citizens—including those holding advanced degrees and . . . specialize in tax law. The rules are equally mysterious to many government employees who are charged with administering and enforcing the law . . . ."

Based on a an alleged system of laws that even an IRS Commissioner can't understand, our government takes so much of our earn-

ing as to drive us toward poverty, precipitate divorces, bankrupt businesses, incarcerate some of us and push others toward suicide or conspiracies to bomb government facilities. And our money system is every bit as "impenetrable . . . unintelligible . . . mysterious" as the IRC.

How can this be? How can an entire nation be unable to understand its own tax and monetary systems? Are our laws incomprehensible because of endless tinkering by generations of well-meaning but incompetent politicians? Are we to believe that the creation of a relatively brief, comprehensible tax code is simply impossible? Or is it more likely that our laws are intentionally incomprehensible?

Every adult understands the ancient refrain, "Oh, what a tangled web we weave, when first we practice to deceive." You start lyin', and it quickly turns into a endless labyrinth of more lies and anxieties. We recognize the "tangled web" phenomenon in our own adrenaline-soaked attempts to weave deceptions.

But do we ever recognize the "tangled webs" of others? When we see millions of words in the Internal Revenue Code (IRC), are we looking at law? Or are we witnessing the most complex, tangled web of lies and deceit the world's ever seen?

The IRC was written in 1939, rewritten in '54, and again in '86. And not once has government succeeded in producing a document the American people can read and understand. After a half century of ambiguity, imprecision, mystery and misunderstanding, isn't it time to ask if maybe the reason we can't understand the tax and monetary system is because some very powerful people don't want us to understand?

In the end, how can we dismiss even the most bizarre theory of tax law or the monetary system, if we can't first show what the "real" law is? How can you tell me I'm wrong, if you can't first show me what's right?

And if you can't show me the "right" tax or monetary law, why not? Because you're ignorant? Or because the tax and monetary laws are inherently "wrong"? Perhaps there is no "right" to be found in the tax code or the Federal Reserve System and so the true law must be concealed, buried under millions of words.

So, for those of you who feel cheated out of a conclusion to this article, just wait. I guarantee a conclusion of monstrous proportions is headed our way. Within ten years, maybe five, you'll see the conclusion of the IRS and the full frontal exposure of the Federal Reserve System—or you'll see the conclusion of the American Dream.

And if that dream dies, it will do so to sustain the nightmare of debt-based currency (FRNs). ■

Central Banks, Gold, & Decline of the Dollar

by Robert Batemarco

Dr. Batemarco is a marketing research manager in New York City and teaches economics at Marymount College in Tarrytown, New York.

This article was originally written in 1997. At that time, the economic boom under the Clinton administration seemed so powerful, that many Americans believe that the "business cycle" (alternating periods of prosperity and recession or depression) had been conquered by the science of economics and the powers of the Federal Reserve System. As a result, many believed the American economic miracle was unstoppable. Some even predicted the Dow Jones Average would soon rise to 20,000.

Against that background, Dr. Batemarco's 1997 article shows some remarkable common sense.

Are business cycles, inflation and currency depreciation inevitable facts of life? Are they part of the very laws of nature? Or do their origins stem from the actions of man? If so, are they discoverable by economic science? And, if economics can teach us their origins, can it also teach how to avoid them?

The particular need which all money, even fiat money which we now use, serves is to facilitate exchange. People accept money, even if it is not backed by a single grain of precious metal, because they know other people will accept it in exchange for goods and services.

But people accept the U.S. dollar today in exchange for much less than they used to. Since 1933, the U.S. dollar has lost 92 percent of its domestic purchasing power.[1] Even at its "moderate" 1994 inflation rate of 2.7 percent, the dollar will lose another half of its purchasing power by 2022. In international markets, the dollar has,

since 1969, depreciated 65 percent against the Deutsche Mark, 74 percent against the Swiss franc, and 76 percent against the yen.[2]

Many economists claim that this is the price we pay for "full employment." If so, I'd like to ask who among you thinks we've gotten our money's worth? We've experienced eleven recessions[3] since the advent of inflation as the normal state of affairs in 1933, with the unemployment rate reaching 10.8 percent as recently as 1982. Clearly, the "demise of the business cycle"—a forecast made during every boom since the 1920s—is a mirage.

Other things being equal, if the quantity of anything is increased, the value per unit in the eyes of its users will go down. The quantity of U.S. money has increased year in and year out every year since 1933. The narrow M1 measure of the quantity of U.S. money (basically currency in circulation and balances in checking accounts) stood at $19.9 billion in 1933. By 1940, it had doubled to $39.7 billion. It surpassed $100 billion in 1946, $200 billion in 1969 (and 1946 to 1969 was considered a noninflationary period), $400 billion in 1980, $800 billion in 1990, and in 1997 it stands at almost $1.2 trillion. That's over 60 times what it was in 1933.

For all practical purposes, the quantity of money is determined by the Federal Reserve System, our central bank. Its increase should come as no surprise. The Federal Reserve was created to make the quantity of money "flexible." The theory was that the quantity of money should be able to go up and down with the "needs of *business*."

Under the Fed, "the demands of *government* funding and refunding . . . unequivocally have set the pattern for American money management."[4] Right from the start, the Fed's supposed "independence" was compromised whenever the Treasury asserted its need for funds. In World War I, this was done indirectly as the Fed loaned reserves to banks at a lower discount rate to buy war bonds. In 1933, President Roosevelt ordered the Federal Reserve System ("Fed") to buy up to $1 billion of Treasury bills and to maintain them in its portfolio in order to keep bond prices from falling. From 1936 to 1951, the Fed was required to maintain the yields on Treasury bills at 0.375 percent and bonds at 2.5 percent. Thereafter, the Fed was required to maintain "an orderly market" for Treasury issues.[5] In 1997, the Federal Reserve System owned nearly 8 percent of all U.S. Treasury debt outstanding.[6]

The Fed granted access to unprecedented resources to the federal government by creating money to "finance" (i.e., to monetize) government's debt. It also served as a cartellization device, making it unnecessary for banks to compete with each other by restricting their expansion of credit. Before the emergence of the Fed, a bank which expanded credit more rapidly than other banks would soon find those other banks presenting their notes or deposits for redemption. It would have to redeem these liabilities from its reserves. To safeguard their reserve holdings was one of the foremost problems which occupied the mind of bankers. The Fed, by serving as the member banks' *banker*, a central source of reserves

and lender of last resort, made this task much easier. When the Fed created new reserves, all banks could expand together.

And expand they did. Before the Fed opened its doors in November 1914, the average reserve requirement of banks was 21.1 percent.[7] This meant that at most, the private banking system could create $3.74 of new money through loans for every $1 of gold reserves it held. Under the Fed, banks could count deposits with the Fed as reserves. The Fed, in turn, needed 35 percent gold backing against those deposits. This increased the available reserve base almost three-fold. In addition, the Fed reduced member bank reserve requirements to 11.6 percent in 1914 and to 9.8 percent in 1917.[8] At that point, $1 in gold reserves had the potential of supporting an additional *$28* of loans.

"[The] abandonment of the gold standard made it possible for the welfare statists to use the banking system as a means to an unlimited expansion of credit . . . . In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value. If there were, the government would have to make its holdings illegal, as was done in the case of gold. . . . The financial policy of the welfare state requires that there be no way for the owners of wealth to protect themselves. . . . [This] is the shabby secret of the welfare statist's tirades against gold. Deficit spending is simply a scheme for the 'hidden' confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights."

Alan Greenspan

[now Chairman of the Federeal Reserve System] 1966

Note that at this time, gold still played a role in our monetary system. Gold coins circulated, albeit rarely, and banknotes (now almost all issued by the Federal Reserve) and deposits were redeemable in *gold*. Gold set a limit on the extent of credit expansion, and once that limit was reached, further expansion had to cease, at least in theory. But limits were never what central banking was about. In practice, whenever gold threatened to limit credit expansion, the government changed the rules.

Cutting off the last vestige of gold convertibility in 1971 rendered the dollar a pure fiat currency. The fate of the new paper money was determined by the whim of the people running the Federal Reserve System.

The average person looks to central banks to maintain full employment and the value of the dollar. However, the historical record makes clear that a sound dollar was never the Fed's intention. Nor has the goal of full employment done more than provide them with a plausible excuse to inflate the currency. The Fed has certainly not covered itself with glory in achieving either goal. Should this leave us in despair? Only if there is no alternative to central banking with fiat money and fractional reserves. History, however, does provide us with an alternative which has worked in the past and can work in the future. That alternative is *gold*.

There is nothing about money that makes it so unique that the market could not provide it just as it provides other goods. Historically, the market *did* provide money. An economy without money, a barter economy, is grossly inefficient because of the difficulty of finding a trading partner who will accept what you have and

who also has exactly what you want. There must be what economists call a "double coincidence of wants." The difficulty of finding suitable partners led traders to seek out commodities for which they could trade which were more marketable in the sense that more people were willing to accept them. Clearly, perishable, bulky items of uneven quality would never do.

Precious metals, however, combined durability, homogeneity, and high value in small quantity. These qualities led to wide acceptance. Once people became aware of the extreme marketability of the precious metals, they could take care of the rest without any government help. Gold and silver went from being "highly marketable" to being universally "accepted in exchange"—i.e., they became "money."

If we desire a money that will maintain its value, we must have a money that *cannot be created at will*. This is the real key to the suitability of gold as money. Since 1492 there has never been a year in which the growth of the world gold stock increased by more than five percent in a single year. In the 20th century, the average has been about two percent.[9] Thus with gold money, the degrees of inflation that have plagued us in the twentieth century would not have occurred. Under the classic gold standard, even when only a fractional reserve was held by the banks, prices in the United States were as low in 1933 as they had been *100 years earlier*. In Great Britain, which remained on the gold standard until the outbreak of World War I, prices in 1914 on the average were less than half of what they were a century earlier.[10]

Traditionally, the gold standard was not limited to one or two countries; it was an international system. With gold as money, one need not constantly be concerned with exchange rate fluctuations. Indeed, the very notion of an exchange rate is different under a gold standard than under a fiat (paper/credit) money regime. Under fiat money, exchange rates are prices of the different national currencies in terms of one another. Under a gold standard, exchange rates are not prices at all. They are more akin to conversion units, like 12 inches per foot, since under an international gold standard, every national currency unit would represent a specific weight of the same substance, i.e., gold. As such, their relationships would be *immutable*. This constancy of exchange rates eliminates exchange rate risk and the need to employ real resources to hedge such risk. Under such a system, trade between people in different countries should be no more difficult than trade among people of the several states of the United States today. It is no accident that the closest the world has come to the ideal of international "free trade" occurred during the heyday of the international gold standard.

It is common to speak of the "collapse" of the gold standard, with the implication that it did not work. In fact, **governments abandoned the gold standard because it worked precisely as it was supposed to: it prevented governments and their central banks from surreptitiously diverting wealth from its rightful owners to themselves.** The commitment to maintain gold convertibility restrains credit creation, which leads to gold outflows and threatens

convertibility. If government were unable to issue fiat money created by their central banks, they would not have had the means to embark on the welfare state, and it is even possible that the citizens of the United States and Europe might have been spared the horrors of the first World War. If those same governments and central banks had stood by their promises to maintain convertibility of their currencies into gold, the catastrophic post-World War I inflations would not have ensued.

In recent years, some countries have suffered so much from central banks run amok, that they have decided to dispense with those legalized counterfeiters. Yet they have not returned to the gold standard. The expedient they are using is the currency board. Argentina, Estonia, and Lithuania have all recently instituted currency boards after suffering hyperinflation. A currency board issues notes and coins backed 100 percent by some foreign currency. The board guarantees full convertibility between its currency and the foreign currency it uses as its reserves. Unlike central banks, currency boards cannot act as lenders of last resort nor can they create inflation, although they can import the inflation of the currency they hold in reserve. Typically, this is well below the level of inflation which caused countries to resort to a currency board in the first place. In over 150 years of experience with currency boards in over 70 countries, not a single currency board has failed to maintain full convertibility.[11]

While currency boards may be a step in the right direction for countries in the throes of central-bank-induced monetary chaos, what keeps such countries from returning to gold? For one thing, they have been taught by at least two generations of economists that the gold standard is impractical. Let's examine three of the most common objections in turn:

1. Gold is too costly. Those who allude to the high cost of gold have in mind the resource costs of mining it. They are certainly correct in saying that more resources are expended to produce a dollar's worth of gold than to produce a fiat (paper) dollar. The cost of the former at the margin is very close to a dollar, while the cost of the latter is about four cents. The flaw in this argument is that the concept of cost they employ is too narrow.

The correct economic concept is that of "opportunity cost", defined as the value of one's best sacrificed alternative. Viewed from this perspective, the cost of fiat money is actually much greater than that of gold. The cost of fiat money is not merely the expense of printing new dollar bills. It also includes the cost of resources people use to protect themselves from the consequences of the inevitable inflation which fiat money makes possible, as well as the wasted capital entailed by the erroneous signals emitted under inflationary circumstances. The cost of digging gold out of the ground is comparatively minuscule.[12]

2. Gold supplies will not increase at the rate necessary to meet the needs of an expanding economy. With flexible prices

and wages, any given amount of money is enough to accomplish money's task of facilitating exchange. Having the gold standard in place in the United States did not prevent industrial production from rising 534 percent from 1878 to l9l3.[13] Thus it is a mistake to think that an increase in the quantity of money must be increased to assure economic development. Moreover, an increase in the quantity of money is not tantamount to an increase in wealth. For instance, if new paper or fiat money is introduced into the economy, prices will be affected as the new money reaches individuals who use it to outbid others for the existing stocks of sport jackets, groceries, houses, computers, automobiles, or whatever. But the monetary increase itself does not bring more goods and services into existence.

3. A gold standard would be too deflationary to maintain full employment. In the relationship of a gold standard to full employment, the gold partisans have both theory and history on their side. The absolute "level" of prices does not drive production and employment decisions. Rather the differences between prices of specific inputs and outputs, better known as profit margins, are keys to these decisions. It is central bank creation of fiat money which alters these margins in ways that ultimately send workers to the unemployment line. Historically, the gradual price declines of the nineteenth century made way for the biggest boom in job creation the world's ever seen.

The practical issues involved in actually returning to a gold standard are complex. But one of the most common objections, determining the proper valuation of gold, is fairly minor. After all, the market values gold every day. Any gold price other than that set by the market is by definition arbitrary. If we were to repeal legal tender laws, laws which today *require* the public to accept paper Federal Reserve Notes in payment of all debts, and permit banks to accept deposits denominated in ounces of gold, a parallel gold-based monetary system would soon arise and operate side-by-side with the Federal Reserve's fiat money.[14]

A more difficult problem than that would be how to get the gold the government seized in 1934 back into the hands of the public. But even that surely can't be more difficult than returning the businesses seized by the Communists in Eastern Europe to their rightful owners. If the Czech Republic can do that, we should be able to get government-held gold back into circulation.

In all likelihood, the biggest problem gold proponents face is that people simply aren't ready to go back to gold. Most people aren't aware of the extent of our monetary disarray and many of those who are don't understand its source. Two generations of Americans have known nothing but un-backed paper as money; few realize that there is an alternative. In contrast, when the United States restored gold convertibility in 1879 and when Britain did so in 1821 and 1926, gold money was still seen as the norm. That is no longer the case.

It might take a hyper-inflationary disaster to shake people's faith

in fiat money. Let's hope not. In addition to the horrendous costs of such a "learning experience," it's not even a sure thing that it would lead us back to gold. Recent hyper-inflations in places as disparate as Russia and Bolivia have not done so.

The desire to get something for nothing dies hard. Governments use central banks with the unlimited power to issue fiat money as their way to get something for nothing. By "sharing" some of that loot with us, those governments have convinced us that we, too, are getting something for nothing. Until we either wise up to the fact that governments can't give us something for nothing or, better yet, realize the moral folly of taking government handouts, we will continue to get money as base as our desires.

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[1] Arsen J. Darnay, editor, *Economic Indicator Hand-book* (Detroit, London: Gale Research Inc., 1992), p.232 and *Survey of Current Business,* vol.75, Feb. *1995, p.* C-5.

[2] *The Wall Street Journal,* Apr. *7, 1995,* & *The Economic Report of the President, 1995.*

[3] As measured by the National Bureau of Economic Research.

[4] Robert Shapiro, "Politics and the Federal Reserve," *The Public Interest,* winter 1982, p.123.

[5] Shapiro, pp.126-127.

[6] *Federal Reserve Bulletin,* February 1995, *p.* A30.

[7] Murray N. Rothbard, "The Federal Reserve as a Cartellization Device: The Early Years, 1913-1930," in Barry N. Siegel, editor, *Money in Crisis* (Cambridge: Ballinger Publishing Company, 1984), p.107.

[8] Rothbard, pp.105-106.

[9] Richard M. Salsman, *Gold and Liberty* (Great Barrington, Mass.: American Institute for Economic Research, *1995),* p.26.

[10] Michael David Bordo, "The Classical Gold standard: Some Lessons for Today," *Federal Reserve Bank of St. Louis Review,* May 1981, pp. 8-9.

[11] Steve H. Hanke, "Critics Err-Mexico Still Needs a Currency Board," *The Wall Street Journal,* February 22, 1995.

[12] For a fuller treatment of this issue, see Roger Garrison, "The Cost of a Gold Standard," in Llewellyn H. Rockwell, Jr., editor, *The Gold Standard: An Austrian Perspective* (Lexington Books, 1985), pp.61-79.

[13] Alan Reynolds, "Gold and Economic Boom," in Siegel, p.256.

[14] Hans Sennholz, *Money and Freedom* (Spring Mills, Pa.: Libertarian Press, 1985), pp.81-83.

Credit Loan$ & Void Contracts

by Del Cannon

On October 27, 1997 the U.S. stockmarket suffered a huge single daily loss—550 points. Secretary of the Treasury Robert Rubin and other government officials quickly assured America there was no need to panic since the "fundamentals" (unemployment, inflation, etc) of our economy were strong. Curiously, none of the government officials bothered to mention money as one of our economy's "fundamentals". And yet, what could be more "fundamental" to our economic health than the condition of our money?

If there's one section of the Constitution that's almost universally ignored, it's the Article I, Section 10, Clause 1 mandate that our money be backed by gold or silver. "Constitutionalists" have agitated over the money issue since we lost our gold to government in 1933. However, the public has ignored the constitutionalists since, after all, we can still "buy" whatever we want with paper money or electronic bank credits, right? So what's the problem?

As you'll read in this and the following article, the "problem" is that We the People are not only going broke for lack of real (constitutional) money, we may be slipping into personal bondage on a slide of paper money. That sort of claim may seem irrational to most Americans, but it's entirely possible because, as John Maynard Keynes correctly observed, "Not one man in million" understands the money system. That ignorance makes us extraordinarily vulnerable.

Why? Because money is just as essential—and "invisible"—to

the economic "life" of our society as oxygen is to the biological life of our bodies. Turn off the oxygen and you'll die in minutes; turn off the money supply and your society will also quickly collapse.

Why are we so collectively ignorant concerning a subject so critical to our survival and prosperity? Whatever the answer, our ignorance lays a foundation for what may be America's most subtle and extensive form of oppression: credit.

By law, money is defined as a *physical* mass of gold or silver. Credit (bookkeeping entries and promises) is not lawful money. Instead, credit is an imaginary, non-physical, non-tangible promise.

Banks, by law, cannot loan credit, only money. But given that there is virtually no lawful money (gold or silver coin) in circulation, banks are, in essence, loaning credit.

Well, who cares?

What difference does it make if you buy a house, car, or Jetski with "lawful money," credit, or buffalo chips, so long as you get what you want?

It makes a lot of differences too numerous to describe here. But consider this: Before the bank will loan you any credit (which has no tangible reality and is created essentially out of thin air), they typically demand that you put up some tangible property (your land or car) as collateral. If you fail to repay the loan of intangible credit, the bank will seize your tangible collateral.

For example, to secure a loan to plant crops, some farmers risk the land that's been in their family for generations as collateral, but the bank risks virtually nothing other than a few scraps of paper and bookkeeping entries. If the weather is bad and the crop fails, the bank winds up owning the real, physical farmland without ever paying a dime in real, physical money (silver). This is literally "something (the farm) for nothing (credit)".

Given that the weather is bound to go bad sooner or later, any farmer who borrows is playing Russian roulette. It's only a question of time before the bank gets the farmland without really "paying" for it, sells it to some "creditworthy" corporate agri-businesses, and the price of your groceries skyrockets.

Our collective need for interest money is as critical as oxygen but just as invisible in a nation of 280 million credi-holics.

Paradise lost

Consider another consequence of the banking business: failure to create the interest necessary to repay the loan guarantees mass bankruptcies. To illustrate, imagine you live on an island with a total population of ten, each of which owns 10% of the island's land. Your island is a tropical paradise so benign that you and your neighbors survive by simply plucking food off the trees on your land.

Along comes a banker and offers to loan you $1,000 to build a grass shack on your land. Sounds good (with a grass shack, you could impress that cute little redhead and maybe get her to marry you). Of course, to get the $1,000 loan (and then the shack and the

girl) you must agree to repay the banker $1,100 a year from now ($1,000 for the loan plus $100 in interest). And . . . you have to put up your 10% of the island paradise as collateral.

You sign, they loan, you build the shack, and the redhead starts flirting. Great.

Except your muscle-bound neighbor also likes the redhead, and also borrows $1,000 from the banker to build his own grass shack. He also agrees to repay $1,100 a year from now, and puts up his land as collateral. Suddenly, the redhead isn't flirting with you— she's flirting with Mr. Macho.

Soon, all ten islanders (even the cute redhead) have each borrowed $1,000, put their 10% of the land up as collateral, and agreed to repay $1,100 in one year. Collectively, the ten of you borrowed $10,000 ($1,000 each) and agreed to repay $11,000 (principle plus 10% interest).

The banker comes back a year later wanting his money (or your collateral), and guess what? Some of you can't repay the loan and must therefore surrender your land to the bank. Well, bidness is bidness, right? Some folks are lazy. Some unlucky. Some simply lack the personal discipline or smarts to handle credit wisely, right?

So we suppose. But it's not that simple.

When the banker loaned $1,000 to each of the ten islanders, he placed a total of $10,000 into circulation on your island. That money allowed each islander to buy sticks from one neighbor, thatch from another and labor from a third to build a shack.

> But the banker didn't loan (create) the additional $100 that each islander would need to pay the interest on his loan.

This $100 omission may seem trivial, but given that there were ten islanders, there's $1,000 missing from the island's economy and thus it will be impossible to repay all of the interest when it comes due in one year.

See, collectively, the ten islanders borrowed $10,000 but (including the interest) will owe $11,000 next year ($10,000 principle plus $1,000 interest). But—because the banker "neglected" to create and loan the islanders the additional $1,000 needed for interest—there will only be $10,000 total in circulation on their island when the loans come due. That means no matter how hard the islanders work, it's mathematically impossible for all of them to repay their loans.

As a result, some islanders were guaranteed to lose their collateral (their share of the island) to the bank from the very beginning. The game was rigged from the git-go. The banker's primary objective was never to make a profit by collecting the "interest" on the loans. Instead (consistent with U.S. Representative E.R. Ridgely's warning in "Title Wars" in this text), the banker's object was to get legal title to your land.

Not every islander will lose his land. Only two or three (for now). But the consequences of loaning $10,000 and then demanding $11,000 back will place the islanders under considerable stress.

For example, for you to have $1,100 to repay your $1,000 loan, you'll have to squeeze the extra $100 in interest out of one or more of your neighbors. Maybe you just work extra hard and simply earn more money. But you could just as easily overcharge your neighbors for the sticks you sold to build your neighbor's shacks.

In either case, you could get an extra $50 from the muscle man (HA!) and another $50 from the unfaithful redhead. Then, while you could merrily repay your loan and hold onto your collateral, the muscle man and redhead could, at best, only pay back $950 on their loans, and both would lose their 10% of tangible (real) paradise for lacking $50 in non-tangible (imaginary) credit.

All ten islanders would face the same stressful choice: either overcharge and exploit your neighbors or lose your land.

Once infected with credit, your island paradise would probably become more immoral, unethical, and unfriendly. In order to save your tangible collateral, you'd be forced to hustle your neighbor.

Bear in mind this entire scenario flows from one simple fact: When the bankers create the "money" to make the loans, they don't also create the *interest* that will be required when the loan comes due. This means, inevitably, some people *must* default. No matter how hard they work, they *will* lose their collateral.

In the first year, perhaps only two islanders will lose their land to the bank. But in the next year, when the remaining eight islanders (who still have land collateral which the bank will accept to "secure" the loans) want to borrow more money to buy sail boats, the bank will loan each of them another $1,000 on condition that they repay $1,100 next year. The eight islanders take the loans, and a year later (because the additional money was not created to repay the interest on the loans) two or three more islanders will lose their land. And within a few more years or loan cycles, the bank will own every square inch of land on the island.

The irony in all this is that the islanders were living in near paradise. If they wanted to work cooperatively, they had all the sticks, grass, and labor they needed to build their grass shacks. Instead, they decided to do it the "easy way"—with credit. The bank offered them a something-for-nothing deal, and they took it. They just didn't understand that the "something" was their own real land and the "nothing" was the bank's imaginary credit. Net result: in a realtively short period, the islanders became land-less, perhaps homeless, and the bank (which risked virtually nothing) came to own the entire tangible (real) island based on loans of non-tangible (imaginary) credit.

In a larger "island" like the USA, the impossibility of repaying bank loans when the interest was not created is much harder to notice. In the frantic commericial dance of millions of people trying to make ends meet, it's hard to see that the system guarantees that some of us must be bankrupted and driven from our land. After all, the folks who lose their land tend to be old, or illiterate, lazy or foreigners, right? We can see they were born losers and

thus their losses were inevitable. Survival of the fittest, right?

Not really. Our brothers and neighbors are being systematically robbed of their land and wealth by a banking system that's rigged to make some of us fail. And even if the system only impoverishes the old, the lazy and the incompetent today—I guarantee that your turn (and mine) is coming.

Just as bankers took all the legal titles to land of the ten islanders, it will take all of the legal titles to land of 300 million Americans. The principle (create money for loans but not for interest) is identical in both cases. On the island the process is easily seen and fairly quick. For a continent, the process is harder to observe, takes a little more time, but is equally inevitable—especially in a society that uses only debt-based legal tender.

Can the banker literally try to "own" legal title to a continent? Yes, and more, they can try to own the entire world.

Real world economics

Real life is more complex and the fundamental impact of credit is harder to see but every bit as unjust. The mathematics of a credit-based economy guarantee that some of us—no matter how hard we work—are bound to go bankrupt and lose our tangible property to a bank. (The annual number of U.S. bankruptcies has risen steadily from 483,750 in 1987 to an estimated 1.5 million in 2001.)

Like the hypothetical islanders, Del Cannon (the author of the following "memorandum") borrowed credit from a bank and wound up bankrupted, unable to repay the credit and facing the loss of his real property. He became a student of banking and money. Ultimately, using the following "Memorandum of Law on Credit Money," he filed a Federal Rules of Civil Procedure (F.R.C.P.) Rule 52 Motion for a ruling on whether some of the loan contracts which led to his bankruptcy were "wholly void". Under the F.R.C.P, the Court had to rule Yes or No. Instead, the Judge reportedly said on the record:

> "Mr. Cannon, I will not rule on your Motion because I am not going to bring down this country's banking system."

Of course, just because one Judge was impressed by this Memorandum doesn't mean its contents are absolutely accurate or sure to impressive other judges (yours, perhaps). Nevertheless, those of you interested in learning the concepts of money or how to defend yourself against economic oppression should find this Memorandum interesting: Its fundamental argument seems to be that—without lawful money (gold and silver)—our entire banking industry is based on fraud.

The first third of this Memorandum is a little difficult to understand. Stick with it. The last two-thirds are more easily understood and contain enough information to help you become the "one man in a million" who understands the nature of money.

United States Bankruptcy Court
for Eastern District of Texas
Plano Division

Delanore Lee Cannon &
Rose Ann Hooper Cannon,
Plaintiffs
vs.
Texas Independent Bank, Defendant
Case No. 96-41 347-DRS Chapter 7
Adversary Proceeding No. A-96-4147-DRS

Plaintiffs' Memorandum of Law
on Credit Loans and Void Contracts

To the Honorable Judge of Said Court:

This Memorandum with authorities, law and cases in support will establish the following facts: 1. Defendant and privately owned banks are making loans of "credit" with the intended purpose of circulating "credit" as "money". 2. Other financial institutions and individuals may "launder" bank credit that they receive directly or indirectly from privately owned banks. 3. This collective activity is unconstitutional, unlawful, in violation of common law, U.S. Code and the principles of equity. 4. Such activity and underlying contracts have long been held *void* by State Courts, Federal Courts and the U.S. Supreme Court.

This Memorandum will show through authorities and established common law that credit "money creation" by privately owned bank corporations is not really "money creation" at all, but the trade specialty and artful illusion of law merchants who use old-time trade secrets of the Goldsmiths to entrap the borrower and unjustly enrich the lender through usury and other unlawful techniques. Issues based on law and the principles of equity, which are within the jurisdiction of this Court, will be addressed.

The Goldsmiths

In his book, *Money and Banking* (8th Edition, 1984), Professor David R. Kamerschen writes on pages 56 - 63: "The first bankers in the modern sense were the goldsmiths, who frequently accepted bullion and coins for storage . . . One result was that the goldsmiths temporarily could lend part of the gold left with them . . . These loans of their customers' gold were soon replaced by a revolutionary technique . . . When people brought in gold, the goldsmiths gave them notes promising to pay that amount of gold on demand. The notes, first made payable to the order of the individual, were later changed to bearer obligations. In the previous form, a note payable to the order of Perry Reeves would be paid to no one else unless Reeves had first endorsed the note . . . But notes were soon being used in an unforeseen way. The note holders found that, when they wanted to buy something, they could use the note itself in payment more

conveniently and let the other person go after the gold, which the person rarely did . . . The specie, then tended to remain in the goldsmiths' vaults . . . The goldsmiths began to realize that they might profit handsomely by issuing somewhat more notes than the amount of specie they held . . . These additional notes would cost the goldsmiths nothing except the negligible cost of printing them, yet the notes provided the goldsmiths with funds to lend at interest . . . And they were to find that the profitability of their lending operations would exceed the profit from their original trade. The goldsmiths became bankers as their interest in manufacture of gold items to sell was replaced by their concern with credit policies and lending activities . . . They discovered early that, although an unlimited note issue would be unwise, they could issue notes up to several times the amount of specie [gold or silver] they held. The key to the whole operation lay in the public's willingness to leave gold and silver in the bank's vaults and use the bank's notes. This discovery is the basis of modern banking."

On page 74, Professor Kamerschen further explains the evolution of the credit system: "Later the goldsmiths learned a more efficient way to put their credit money into circulation. They lent by issuing additional notes, rather than by paying out in gold. In exchange for the interest-bearing note received from their customer (in effect, the loan contract), they gave their own noninterest-bearing note. Each was actually borrowing from the other . . . The advantage of the later procedure of lending notes rather than gold was that . . . more notes could be issued if the gold remained in the vaults . . . Thus, through the principle of bank note issuance *banks learned to create money in the form of their own liability*." [Emphasis Added]

Another publication which explains modern banking as learned from the Goldsmiths is *Modern Money Mechanics* (5th ed. 1992), published by the Federal Reserve Bank of Chicago which states beginning on page 3: "It started with the goldsmiths . . ." At one time, bankers were merely middlemen. They made a profit by accepting gold and coins brought to them for safekeeping and lending the gold and coins to borrowers. But the goldsmiths soon found that the *receipts* they issued to depositors were being used as a means of payment. "Then, bankers discovered that they could make loans merely by giving borrowers their *promises* to pay, or 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* to the credit of borrowers which the borrowers, in turn, could 'spend' by writing checks, thereby printing *their own* money." [Emphasis added]

How Banks Create Money

In the modern sense, banks create money by creating "demand deposits." Demand deposits are merely "book entries" that reflect how much lawful money the bank owes its customers. Thus, all deposits are called demand deposits and are the bank's liabilities. The bank's assets are the vault cash plus all the "IOUs" or promissory

notes that borrowers sign when they borrow either money or credit. When a bank lends its cash (legal money), it loans its assets, but when a bank lends its "credit," it lends its *liabilities*. The lending of credit is, therefore, the exact opposite of the lending of cash (legal money).

At this point, we need to define the meaning of certain words like "lawful money," "legal tender," "other money" and "dollars."

The terms "Money" and "Tender" had their origins in Article 1, Sec. 8 and Article 1, Sec. 10 of the *Constitution of the United States.* 12 U.S.C. 152 refers to "gold and silver coin as lawful money of the United States" and was repealed in 1994. The term "legal tender" was originally cited in 31 U.S.C.A. 392 and is now recodified in 31 U.S.C.A. 5103 which states: "United States coins and currency . . . are legal tender for all debts, public charges, taxes, and dues." The common denominator in both "lawful money" and "legal tender money" is that both are issued by the United States Government.

With Bankers, however, we find that there are two forms of money —one is government-issued and the other is issued by privately-owned banks such as Defendant, Texas Independent Bank. As we have already discussed government issued forms of money, we need to look at privately issued forms of money.

All privately issued forms of money today are based upon the *liabilities* of the issuer. There are three common terms used to describe this privately created money. They are "credit," "demand deposits" and "checkbook money." In the Fifth edition of *Blacks Law Dictionary,* p.331, under the term "Credit," the term "Bank credit" is described as: "Money bank owes or will lend individual or person." It is clear from this definition that "Bank credit" which is the "money bank owes" is the bank's *liability*. The term "checkbook money" is described in the book *I Bet You Thought,* published by the privately owned Federal Reserve Bank of New York, as follows: "Commercial banks create checkbook money whenever they grant a loan, simply by adding deposit dollars to accounts on their books to exchange for the borrower's IOU . . . ."

The word "deposit" and "demand deposit" both mean the same thing in bank terminology and refer to the bank's liabilities. For example, the Chicago Federal Reserve's book, *Modern Money Mechanics* says: "Deposits are merely book entries . . . Banks can build up deposits by increasing loans . . . Demand deposits are the modern counterpart of bank notes. It was a small step from printing notes to making book entries to the credit of borrowers which the borrowers, in turn, could 'spend' by writing checks." Thus, it is demonstrated in *Modem Money Mechanics* how, under the practice of fractional reserve banking, a deposit of $5,000 in cash could result in a loan of credit/checkbook money/demand deposits of $100,000 if reserve ratios set by the Federal Reserve are 5% (instead of 10%).

In a practical application, here is how it works. If a bank has ten people who each deposit $5,000 (totaling $50,000) in cash (legal money) and the bank's reserve ratio is 5%, then the bank will lend twenty times this amount, or $1,000,000 in "credit" money. What the

bank has actually done, however, is to write a check or loan its credit with the intended purpose of circulating credit as "money." Banks know that if all the people who receive a check or credit loan come to the bank and demand cash, the bank will have to close its doors because it doesn't have the cash to back up its check or loan. The bank's check or loan will, however, pass as money as long as people have confidence in the illusion and don't demand cash. Panics are created when people line up at the bank and demand cash (legal money), causing banks to fold as history records in several time periods.

The process of passing checks or credit as money is done quite simply. A deposit of $5,000 in cash by one person results in a loan of $100,000 to another person at 5% reserves. The person receiving the check or loan of credit for $100,000 usually deposits it in the same bank or another bank in the Federal Reserve system. The check or loan is sent to the bookkeeping department of the lending bank where a book entry of $100,000 is credited to the borrower's account. The lending bank's check that created the borrower's loan is then stamped "Paid" when the account of the borrower is *credited* a "dollar" amount. The borrower may then "spend" these book entries (demand deposits) by writing checks to others, who in turn deposit their checks and have book entries transferred to their account from the borrower's checking account.

However, two highly questionable and unlawful acts have now occurred. The first was when the bank wrote the check or made the loan with *insufficient funds* to back them up. The second is when the bank stamps its own NSF check "paid" or posts a loan by merely crediting the borrower's account with book entries the bank calls "dollars." Ironically, the check or loan seems good and passes as money —unless an emergency occurs via demands for cash—or a Court challenge—and the artful illusion bubble bursts.

Different Kinds of Money

The book, *I Bet You Thought,* published by the Federal Reserve Bank of New York, says:

> "Money is any generally accepted medium of exchange, not simply coin and currency. Money *doesn't* have to be intrinsically valuable, *be issued by a government* or be in any special form." [Emphasis added]

Thus we see that privately issued forms of money only require public confidence in order to pass as money. Counterfeit money also passes as money as long as nobody discovers it's counterfeit. Likewise, "bad" checks and "credit" loans pass as money so long as no one finds out they are unlawful. Yet, once the fraud is discovered, the value of such "bank money," like bad checks, ceases to exist. There are, therefore, two kinds of money—government issued legal money and privately-issued unlawful money.

Different Kinds of Dollars

The dollar once represented something intrinsically valuable made from gold or silver. For example, in 1792, Congress defined the silver dollar as a silver coin containing 371.25 grains of pure silver. The legal dollar is now known as "United States coins and currency." However, the *Banker's* dollar has become a unit of measure of a different kind of money. Therefore, with Bankers there is a "dollar" of coins and a dollar of cash (legal money), a "dollar" of debt, a "dollar" of credit, a "dollar" of checkbook money or a "dollar" of checks. When one refers to a dollar spent or a dollar loaned, he should now indicate what *kind* of "dollar" he is talking about, since Bankers have created so many different kinds.

A dollar of bank "credit money" is the exact *opposite* of a dollar of "legal money." The former is a liability while the latter is an asset. Thus, it can be seen from the earlier statement quoted from *I Bet You Thought,* that money can be privately issued as: "Money doesn't have to . . . be issued by a government or be in any special form." It should be carefully noted that banks that issue and lend privately created money demand to be paid with government issued money. However, payment in like kind under natural equity would seem to indicate that a debt created by a loan of privately created money can be paid with other privately created money, without regard for "any special form," as there are no statutory laws to dictate how either private citizens or banks may create money.

By What Authority?

By what authority do state and national banks, as privately owned corporations, create money by lending *their credit*—or more simply put—by writing and passing "bad" checks and "credit" loans as "money"? Nowhere can a law be found that gives banks the authority to create money by lending their liabilities.

Therefore, the next question is: if banks are creating money by passing bad checks and lending their credit, where is their authority to do so? From their literature, banks claim these techniques were learned from the trade secrets of the Goldsmiths. It is evident, however, that money creation by private banks is not the result of powers conferred upon them by government, but rather the artful use of long held "trade secrets." Thus, unlawful money creation is not being done by banks as corporations, but unlawfully by *bankers*.

Article I, Section 10, para. 1 of the *Constitution of the United States* specifically states that no state shall ". . . coin money, *emit bills of credit*, make any Thing but gold and silver coin a Tender in Payment of Debts, pass any Bill of Attainder, ex post facto Law, or Law impairing the Obligations of Contracts . . ." [Emphasis added] The states which grant the Charters of state banks also prohibit the emitting of bills of credit by not granting such authority in bank charters.

It is obvious that "We the people" never delegated to Congress, state government, or agencies of the state the power to create and issue money in the form of checks, credit, or other "bills of credit." The Federal Government today does not authorize banks to emit, write, create, issue and pass checks and credit as money.

But banks do, and get away with it!

Banks call their privately created money nicer names, like "credit", "demand deposits", or "checkbook money". However, the true nature of "credit money" and "checks" does not change regardless of the nice terminology used to describe them. Such money in common use by privately-owned banks is illegal under Art. 1, Sec. 10, para. I of the *Constitution of the United States* as well as unlawful under the laws of the United States.

Void "Ultra Vires" Contracts

The courts have long held that when a corporation executes a contract beyond the scope of its charter or granted corporate powers, the contract is void or "ultra vires".

1. In *Central Transp. Co. v. Pullman,* 139 U.S. 60, 11 S. Ct. 478, 35 L. Ed. 55, the court said:

"A contract *ultra vires* being unlawful and void, not because it is in itself immoral, but because the corporation, by the law of its creation, is incapable of making it, the courts, while refusing to maintain any action upon the unlawful contract, have always striven to do justice between the parties, so far as could be done consistently with adherence to law, by permitting property or money, parted with on the faith of the unlawful contract, to be recovered back, or compensation to be made for it. In such case, however, the action is not maintained upon the unlawful contract, nor according to its terms; but on an implied contract of the defendant to return, or, failing to do that, to make compensation for, property or money which it has no right to retain. To maintain such an action is not to affirm, but to disaffirm, the unlawful contract."

2. "When a contract is once declared ultra vires, the fact that it is executed does not validate it, nor can it be ratified, so as to make it the basis of suit or action, nor does the doctrine of estoppel apply." *F& PR v. Richmond,* 133 SE 898; 151 Va 195.

3. "A national bank . . . cannot lend its credit to another by becoming surety, indorser, or guarantor for him, such an act is ultra vires . . ." *Merchants' Bank v. Baird,* 160 F 642. (Additional cases are cited as footnotes at the end of this Memorandum.)

The Question of Lawful Consideration

The issue of whether the lender who writes and passes a "bad" check or makes a "credit" loan has a claim for relief against the borrower is easy to answer, providing the lender can prove that he gave a *lawful consideration*, based upon lawful acts. But did the lender give a lawful consideration? To give a lawful consideration, the lender must prove that he gave the borrower lawful money such as coins or currency. Failing that, he can have no claim for relief in a court at law against the borrower as the lender's actions were Ultra vires or *void from the beginning of the transaction.*

It can be argued that "bad" checks or "credit" loans that pass as money are valuable; but so are counterfeit coins and currency that pass as money. It seems unconscionable that a bank would ask

homeowners to put up a homestead as collateral for a "credit loan" that the bank created out of thin air. Would a court of law or equity allow a counterfeiter to foreclose against a person's home because the borrower was late in payments on an unlawful loan? If the court were to do so, it would be contrary to all principles of law.

The question of valuable consideration does not depend on any value imparted by the lender, but by false confidence instilled in the "bad" check or "credit" loan by the lender. In a court at law or equity, the lender has no claim for relief. The argument that because the borrower received property for the lender's "bad" check or "credit" loan gives the lender a claim for relief is not valid, unless the lender can prove that he gave lawful value. The seller in some cases who may be holding the "bad" check or "credit" loan has a claim for relief against the lender or the borrower or both.

Borrower Relief

Since we have established that the lender of unlawful or counterfeit money has no claim for relief under a void contract, the last question is *does the borrower have a claim for relief against the lender*?

First, if it is established that the borrower has made no payments to the lender, then the borrower has no claim for relief against the lender for money damages. But the borrower has a claim for relief to *void the debt* he owes the lender for notes or obligations unlawfully created by an Ultra vires contract for lending "credit" money.

The borrower, the Courts have long held, has a claim for relief against the lender to have the note, security agreement, or mortgage note the borrower signed declared null and void.

The borrower may also have claims for relief for breach of contract by the lender for not lending "lawful money" and for usury for charging an interest rate several times greater than the amount agreed to in the contract for any lawful money actually risked by the lender. For example, if on a $100,000 loan it can be established that the lender actually risked only $5,000 (5% Federal Reserve ratio) with a contract interest rate of 10%, the lender has then loaned $95,000 of "credit" and $5,000 of "lawful money" while charging 10% interest ($10,000) on the entire $100,000. The true interest rate on the $5,000 of "lawful money" actually risked by the lender is 200% which violates Usury laws. If *no* "lawful money" was loaned, then the interest rate is an *infinite* percentage. Such techniques the bankers say were learned from the trade secrets of the Goldsmiths.

The Courts say that such contracts with borrowers are wholly void from the beginning of the transaction because banks are not granted powers to enter into such contracts by either state or national charters.

Additional Borrower Relief

In District Court the borrower may have additional claims for relief under "Civil RICO" Federal Racketeering laws (18 U.S.C. 1964), as the lender may have established a "pattern of racketeering activity" by using the U.S. Mail more than twice to collect an unlawful debt

and the lender may be in violation of 18 U.S.C. 1341, 1343, 1961 and 1962. The borrower may have other claims for relief if he can prove there was or is a conspiracy to deprive him of property without due process of law under 42 U.S.C. 1983 (Constitutional Injury), 1985 (Conspiracy) and 1986 ("Knowledge" and "Neglect to Prevent" a U.S. Constitutional Wrong). Under 18 U.S.C.A. 241 (Conspiracy) violators, "shall be fined not more than $10,000 or imprisoned not more than ten (10) years or both."

Continuation of case cites in support

The following case cites also support this Memorandum on credit loans and void contracts:

4. "In the federal courts, it is well established that a national bank has not power to lend its credit to another by becoming surety, indorser, or guarantor for him." *Farmers and Miners Bank v. Bluefield Nat 'l Bank,* 11 F 2d 83, 271 U.S. 669.

5. "A national bank has no power to lend its credit to any person or corporation . . ." *Bowen v. Needles Nat. Bank,* 94 F 925, 36 CCA 553, certiorari denied in 20 S.Ct 1024, 176 US 682, 44 LED 637.

6. "Mr. Justice Marshall said: The doctrine of ultra vires is a most powerful weapon to keep private corporations within their legitimate spheres and to punish them for violations of their corporate charters, and it probably is not invoked too often . . . *Zinc Carbonate Co. v. First National Bank,* 103 Wis 125, 79 NW 229." *American Express Co. v. Citizens State Bank,* 194 NW 430.

7. "A bank may not lend its credit to another, even though such a transaction turns out to have been of benefit to the bank, and in support of this a list of cases might be cited, which would *look like a catalog of ships*." [Emphasis added] *Norton Grocery Co. v. Peoples Nat. Bank,* 144 SE *505,* 151 Va 195.

8. "It has been settled beyond controversy that a national bank, under federal law being limited in its powers and capacity, cannot lend its credit by guaranteeing the debts of another. All such contracts entered into by its officers are ultra vires . . ." *Howard & Foster Co. v. Citizens Nat'l Bank of Union,* 133 SC 202, 130 SE 759(1926).

9. ". . . checks, drafts, money orders, and bank notes are not lawful money of the United States . . ." *State v. Neilon,* 73 Pac 324, 43 Ore 168.

10. "Neither, as included in its powers not incidental to them, is it a part of a bank's business to lend its credit. If a bank could lend its credit as well as its money, it might, if it received compensation and was careful to put its name only to solid paper, make a great deal more than any lawful interest on its money would amount to. If not careful, the power would be the mother of panics, . . . Indeed, lending credit is the *exact opposite* of lending money, which is the real business of a bank, for while the latter creates a liability in favor of the bank, the former gives rise to a liability of the bank to another." [Emph. add.] *1 Morse, Banks and Banking,* 5th Ed. Sec 65; *Magee, Banks and Banking,* 3rd Ed. Sec 248." *American Express Co. v. Citizens State Bank,* 194 NW 429.

11. "It is not within those statutory powers for a national bank, even though solvent, to lend its credit to another in any of the various ways in which that might be done." *Federal Intermediate Credit Bank v. L 'Herrison,* 33 F 2d 841, 842 (1929).

12. "There is no doubt but what the law is that a national bank cannot lend its credit or become an accommodation endorser." *National Bank of Commerce* ***v.*** *Atkinson, 55* F. 471.

13. "A bank can lend its money, but not its credit." *First Nat 'l Bank of Tallapoosa v. Monroe,* 135 Ga 614, 69 SE 1124, 32 LRA (NS) 550.

14. ". . . the bank is allowed to lend money upon personal security; but it must be money that it loans, not its credit." *Seligman v. Charlottesville Nat. Bank,* 3 Hughes 647, Fed Case No.12, 642, 1039.

15. "A loan may be defined as the delivery by one party to, and the receipt by another party of, a sum of money upon an agreement, express or implied, to repay the sum with or without interest." *Parsons v. Fox,* 179 Ga 605, 176 SE 644. Also see *Kirkland v. Bailey, 155* SE 2d 701 and *United States v. Neifert white Co.,* 247 Fed Supp 878, 879.

"The word 'money' in its usual and ordinary acceptation means gold, silver, or paper money used as a circulating medium of exchange . . ." L*ane v. Railey,* 280 Ky 319, 133 SW 2d 75.

16. "A promise to pay cannot, by argument, however ingenious, be made the equivalent of actual payment . . ." *Christensen v. Beebe,* 91 P 133, 32 Utah *406.*

17. "A bank is not the holder in due course upon merely crediting the depositors account." *Bankers Trust v. Nagler,* 229 NYS 2d 142, 143.

18. "A check is merely an order on a bank to pay money." *Young v. Hembree,* 73 P2d 393.

19. "Any false representation of material facts made with knowledge of falsity and with intent that it shall be acted on by another in entering into contract, and which is so acted upon, constitutes 'fraud,' and entitles party deceived to avoid contract or recover damages." *Barnsdall Refining Corn. v. Birnam wood Oil Co.,* 92 F 2d 817.

20. "Any conduct capable of being turned into a statement of fact is representation. There is no distinction between misrepresentations effected by words and misrepresentations effected by other acts." *Leonard v. Springer,* 197 Ill 532, 64 NE 301.

21. "If any part of the consideration for a promise be illegal, or if there are several considerations for an unseverable promise one of which is illegal, the promise, whether written or oral, is wholly void, as it is impossible to say what part or which one of the considerations induced the promise." *Menominee River Co. v. Augustus Spies L & C Co.,* 147 Wis *559,* 572; 132 NW 1122.

"The contract is void if it is only in part connected with the illegal transaction and the promise single or entire." *Guardian Agency v. Guardian Mut. Savings Bank,* 227 Wis 550, 279 NW 83.

22. "It is not necessary for recision of a contract that the party making the misrepresentation should have known that it was false,

but recovery is allowed even though misrepresentation is innocently made, because it would be unjust to allow one who made false representations, even innocently, to retain the fruits of a bargain induced by such representations." *Whipp v. Iverson,* 43 Wis 2d 166.

23. "Each Federal Reserve bank is a separate corporation owned by commercial banks in its region . . ." *Lewis v. United States,* 680 F 2d 1239 (1982).

24. In a Debtor's RICO action against its creditor, alleging that the creditor had collected an unlawful debt, an interest rate (where all loan charges were added together) that exceeded, in the language of the RICO Statute, "twice the enforceable rate." The Court found no reason to impose a requirement that the Plaintiff show that the Defendant had been convicted of collecting an unlawful debt, running a "loan sharking" operation. The debt included the fact that exaction of a usurious interest rate rendered the debt unlawful and that is all that is necessary to support the Civil RICO action. *Durante Bros. & Sons, Inc. v. Flushing Nat '1 Bank,* 755 F2d 239, Cert. denied, 473 US 906 (1985).

25. The Supreme Court found that the Plaintiff in a civil RICO action need establish only a criminal "violation" and not a criminal conviction. Further, the Court held that the Defendant need only have caused harm to the Plaintiff by the commission of a predicate offense in such a way as to constitute a "pattern of Racketeering activity." That is, the Plaintiff need not demonstrate that the Defendant is an organized crime figure, a mobster in the popular sense, or that the Plaintiff has suffered some type of special Racketeering injury; all that the Plaintiff must show is what the Statute specifically requires. The RICO Statute and the civil remedies for its violation are to be liberally construed to effect the Congressional purpose as broadly formulated in the Statute. *Sedima, SPRL V. Imrex Co.,* 473 US 479 (1985).

Respectfully submitted,
Delanore Lee Cannon,
Debtor/Plaintiff
In Person
and wife,
Rose Ann Hooper Cannon,
Debtor/Plaintiff
In Person

Title, Trusts & Tender

On June 10, 1932, Congressman Louis T. McFadden, Chairman of the House Banking and Currency Committee, addressed the House of Representatives:

"We have in this country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board and the Federal Reserve Banks.

"Some people think the Federal Reserve Banks are U.S. government institutions. They are not government institutions. They are private credit monopolies; domestic swindlers, rich and predatory money lenders which prey upon the people of the United States for the benefit of themselves and their foreign customers. The Federal Reserve banks are the agents of the foreign central banks. The truth is the Federal Reserve Board has usurped the Government of the United States by the arrogant credit monopoly which operates the Federal Reserve Board."

75 Congressional Record 12595-12603

"This Act establishes thee 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. The new law will create inflation whenever the trust's want inflation. From now on depressions will be scientifically created."

Congressman Charles A. Lindberg, Sr., at the time of the passage of the Federal Reserve Act.

Rights Flow From Title

by Alfred Adask

Remember that old "parts is parts" line from the commercial for fast-food, chicken nuggets? When asked about our judicial system most Americans would similarly suppose "courts is courts".

But that's not so. There several kinds of courts, among which are courts of law and courts of equity.

Virtually everyone supposes that when we "go to court," it is a "court of *law*". While that may still be true in criminal cases—in civil and penal cases, it's not so.

Instead, although virtually no one has heard of courts of equity—so far as I can see, that's the kind of court that hears virtually all of our cases.

Our access to one court or the other depends on the kind of *title* we hold (if any) to whatever property is at issue in the court case. Those with legal title can access a court of law. Those with equitable title can only access a court of equity. As you'll read in the article "Title Wars", our modern "money" plays a crucial role in determining what *kind* of title we have to property and thus whether our cases concerning that property are heard at law or in equity.

The distinction is largely unrecognized but extraordinarily important.

Courts of law

According to *Bouvier's Law Dictionary* (1856 A.D.) all rights flow from *title*.

That is, your right to drive your car rather than my car flows from your *title* to "your" car. Your right to live in your home rather than live in mine flows from your *title* to "your" home.

But if you have no title, you might still have a vague "interest" in a particular car, home or property—but you'd have no right to that car, home or property.

Courts of *law* have but one purpose: To determine *legal* rights. Nothing else.

But legal rights flow from *legal* title.

Thus, to invoke a court of law, at least one of the parties must have *legal* title to whatever property is in question. If neither party has *legal* title, then neither party can claim *legal* rights. If there is no valid claim of legal right, then neither party has *standing* to invoke a court of *law* (whose only job is to determine *legal* rights).

In a court of law, everyone—including the *judge*—is *bound* by the law. There, obedience to the law is not optional or "discretionary". If the law says you must do something, the judge and litigants in a court of law are bound to do as the law prescribes. No wiggle room.

As a result, determinations by a court of law can sometimes be extremely harsh. For example, if a cruel person secured legal title to particular property, he could exploit that title to drive an impoverished mother and her children from that property. Judicial decisions in courts of law could be merciless against anyone lacking legal title and thus legal right to the property in question. Once one party proved that he had legal title, his right to control a particular property however he liked was virtually unlimited. No matter what sort of villain he might be, if he had legal title, everyone (including the judge) was bound to respect his exclusive right to control that property.

Courts of equity

In part because of the occasional harsh decisions in courts of law—but more so because most people lacked legal title to property—courts of equity were created. These courts were designed to settle disputes between individuals squabbling over property for which neither litigant held legal title and thus neither litigant had a legal right.

For example, suppose you and your neighbor rented homes, side-by-side. Suppose you two were squabbling over who had right to harvest the apples on a tree growing at the boundary between your property and his. Since neither of you renters had legal title or legal right to either piece of land (that was held by your landlords), neither neighbor has legal right to the apples. Therefore your case couldn't be heard in a court of *law*.

However, in the interest of reducing social discord, the very same judge who couldn't heard your case at law will instead hear your case in equity. Instead of invoking a court of law, you will have unwittingly asked the judge to hear the case in equity and thereby invoked a court of equity.

In a court of equity, the judge is not bound by *law* but instead, rules strictly according to his own *conscience*. In the case of the disputed apples, the judge will probably decide that regardless of the location of the apple tree's trunk, each litigant will be entitled to

harvest whatever apples are growing on his side of the property line.

Sounds fair, right? And that's the object of equity: to achieve fairness, justice between litigants who have an equitable *interest* in a particular property, but no legal title or legal right.

But note that while the kindly old judge may reach an fair decision in the court of equity, he's not obligated to do so. If the judge in equity doesn't like the color or your skin, your gender, or your politics, he can—in his "discretion"—rule against you. If the judge has been having sex with your neighbor, he can rule against you. If the judge wants sex with you, but you refuse, he can rule against you. If the judge wants sex with you and you comply, he can *still* rule against you.

So long as he is bound only by his own conscience (not by law) and no one knows what his conscience says but him, a judge in equity is empowered to rule virtually any way he wants.

The litigants, on the other hand (lacking legal title and legal rights) are completely helpless, entirely dependent on the judge's alleged "conscience" and are essentially reduced to the status of beggars. ("Please, please, Mr. Judge, give me some apples!")

> "Because of what appears to be a lawful command on the surface, many citizens, because of their respect for what only appears to be law, are cunningly coerced into waiving their rights due to ignorance."
>
> **U.S. Supreme Court**
> **U.S. v. Minker, 350 U.S. 179, 187**

Although courts of equity were ostensibly created to foster justice among those impoverished persons who had no legal title or legal rights to a particular property, those courts were and remain an open invitation to judicial tyranny. Anyone who's been around the judicial system for long has heard of horror stories in which judges reached decisions that were grossly unfair, unjust, biased or seemingly insane. These decisions seem inexplicable to anyone who presumes the cases were heard in courts of *law*. However, if the case was heard in equity (and most are), the bizarre decisions were entirely legal since, in equity, the law is irrelevant.

In courts of equity, you can present law, case law, regulations and such. The lawyers do it all the time. And the kindly judge will politely listen and pretend all that research makes a difference. He may even rule in accord with the relevant "law". But in the end, he's not *bound* by any of that "law". His only criteria for deciding the case will be his own alleged "conscience". If he wants to rule in accord with the law, he can. If he wants to ignore the law, he can do that, too. His power to decide any way he wants is virtually absolute. And you can bet that corruption has closely followed that absolute power.

Legal title is crucial

The point to this little detour into judicial process is to emphasize that without *legal* title, you have no standing to invoke a court of *law*. Without *legal* title to the property in question, you have no

access to a court of *law*. Without *legal* title, you have one form of relief only: to throw yourself on the "mercy" (alleged conscience) of the court of equity and hope for the best.

Without legal title, you are necessarily subject to judicial tyranny.

Three forms of title

Now consider this: There are three forms of title. There's some variation in the names, but essentially they are:

1) legal title (the right of ownership, control and disposal of property);

2) equitable title (the right to use the property); and,

3) perfect or complete title (which contains both legal and equitable combined).

The difference between the three titles can be illustrated by considering a man who has "perfect" or "complete" title to a house. He owns the house (has legal title to *control* it to the exclusion of all others) and he lives in the house (has equitable title to *use* the house).

But he could divide the perfect title to the home into its legal and equitable sub-titles. He could keep ownership (legal title) for himself, and rent the house (equitable title, right of use) to someone else.

He could create a trust and place the perfect title into the trust, and divide the "sub-titles" (legal and equitable) between the trustee (who gets legal title and the obligation of controlling the property) and a beneficiary (who gets the equitable title and the right to use and live in the house).

> "Single acts of tyranny may be ascribed to the accidental opinion of a day. But a series of oppressions, begun at a distinguished period, and pursued unalterably through every change of ministers (administrations), too plainly proves a deliberate systematic plan of reducing us to slavery."
>
> **Thomas Jefferson**

The point is that not all titles are "created equal". You can do some things with legal title that you can't do with an equitable title. You can do some things with the equitable title that you can't do with only the legal title.

More importantly, contrary to what most people would imagine, not all titles are "legal titles" (titles of true ownership and control). Some are merely *equitable* titles which convey an equitable interest in a particular property, but no legal rights. As a result, it's entirely possible to have a "title" to piece of property (your car, for example) and assume it's the "legal" or "perfect" title when it's really just an "equitable" title.

So if you had only an equitable title to "your" car, you not only wouldn't truly own the car, you'd be subject to whatever rules were made for the car by the true owner (the entity that held legal title). If the owner said you must have a drivers license, registration and insurance before you could use "his" car, you'd have no legal basis to argue against the owner's rules. You could raise the Constitution or even the Magna Charta, but so long as you had only equitable title, you'd be absolutely subject to whatever rules were made by the person or entity that held *legal* title to the car.

Further, anytime you went to court over an issue involving "your"

car—since you didn't have legal title—your case would be heard in equity where the judge could rule any way he liked. And if the judge happened to work for the same entity (say, the state) that owned legal title to "your" car, you can bet that the judge's "conscience" would compel him to rule against you and in favor of his boss (the state) virtually every time.

> "None are more hopelessly enslaved than those who falsely believe they are free."
> **Johann W. von Goeth** (1749-1832)

Could that happen?

It does happen. Virtually every time.

The reason the state can order you to have license, registration and insurance to drive your car is because it's not really "your" car. You only have equitable title a right of use, much like a renter. The state owns legal title to virtually all cars and can thus compel all drivers to obey the state-owner's rules.

Without legal title, you have no legal rights relative to the car, and virtually no defense against any decision reached by a judge in equity based strictly on his "conscience".

The same scenario applies to any property—even your children—if you don't have legal title.

No legal title. No legal rights. No standing in law. No access to courts of law. Those four phrases are synonymous. To say any one is to imply the other three.

Do you begin to see why legal title is so important?

If so, you should find the next article fascinating. ■

Divide and Conquer

by Alfred Adask

One place constitutionalists get into trouble is in their personal speculations on what various laws or excerpts from case law may mean or imply. We routinely leap to "logical conclusions" that are dramatic but often based more on emotion than facts and scholarship. It's a fun, addictive sport that's not only more exciting than hang-gliding, but often even more dangerous.

I happen to be a master at constitutionalist speculation. I won't argue that I've ever leapt to a correct conclusion, but my "logical leaps" have nevertheless been interesting, sometimes breathtaking.

In 1997, I began to speculate on the possibility that trusts may be *the* fundamental mechanism by which our government "legally" exceeds its constitutional limits and reverses the status of the American people from sovereigns over government to subjects below. Since then, I've grown even more distrustful of trusts. Today, I suspect our modern "welfare state" (operated "in the best interests of") might be more accurately described as a "trust state".

When the following article was first published in 1997, I warned that it was based on little evidence and much speculation. It is therefore dangerous and meant for consideration, not belief. In 2002, although the evidence is still flimsy, I remain convinced that I'm exploring a fundamental insight into government's favorite mechanism for using "benefits" to deprive the American people of their "unalienable Rights".

I believe that "using" intrinsically worthless paper money (Federal Reserve Notes; FRNs) to purchase tangible property may be legally deemed to be a "benefit". I believe that by using FRNs, the "user" unwittingly accepts the role of "beneficiary" in the trust known as the "Federal Reserve System".

If so, you can't understand modern "money" without also understanding trusts.

Divided Title

The fundamental feature of every trust is the division of "complete" or "perfect title" (exclusive right of ownership and use) to a particular property into "legal title" (technical ownership) and "equitable title" (the beneficial right to possess and use the particular property).

The relationship between a father, his teenage son and the family car can broadly illustrate the essential trust feature of divided title. The car, relatively speaking, is the property of the trust. Dad functions somewhat like a "trustee" since he "owns" title to the car and is responsible to see that it is operated according to certain rules pertaining to insurance, drivers licenses, and safety. The son is the "beneficiary" who doesn't *own* the car, but has the "equitable title" to *possess and use* the car on his Saturday night dates.

"Trustees" retain "legal title" to the property within the trust and are responsible for administering and enforcing all trust rules. "Beneficiaries" receive "equitable title" to use trust property they don't own—provided they *obey all the trust's rules.*

For example, if Dad (the "trustee"/ administrator) "lays down the law" and says the family car must be back in the garage by midnight with a full tank of gas, then Junior (the beneficiary) better have that car back in time as specified, or Junior will lose his "equitable title" to use the car again next Saturday and wind up dating his girl on his bike. In this way, Dad (the trustee) can use trust benefits (driving the car) to control his son's behavior. In fact, the Dad/trustee can even impose a dress code on any beneficiary who wants to drive the car. If Junior doesn't cut his hair to a "trust-approved" length, his "equitable right" to use the car may be terminated.

Whenever I see evidence of a *divided title* (one party has legal title and administrative *control* over a particular property, while a second party has equitable title and beneficial *use* of that property), I conclude that I'm seeing evidence of a trust or trust relationship.

Minimal Liability

Historically, the purpose of subdividing full title into legal and equitable "sub-titles" was to minimize personal liability for both use and ownership of trust property. For example, if you own "full (undivided) title" to your car, you own and can use your car whenever you like, but you are also personally liable for any damages caused by your car. If your son has an accident driving your car, you (as the owner) are liable and can be sued to the limit of your resources.

But if you place (grant) your car into a trust, you can designate yourself as the "trustee" (and retain legal title and administrative control to the car) and designate your son as the "beneficiary" who will receive "equitable title" to possess and use the car. Now, if your son has an accident, you (as trustee) are virtually immune from any legal liability. As a practical matter, your son/ beneficiary also can't be sued because he owns nothing (all his assets are in trust) and there's no point to suing a legal pauper—even if he lives in a mansion.

The only entity that can be successfully sued is the trust itself, and then only for whatever property it contains. Even if your son

caused $1 million in damages, the most the injured party could recover was whatever property remained in the trust that held the car. If the trust only contained the now-wrecked car, that's all the injured party could legally collect; there'd be no recourse against your home, bank account, or business.

Beneficial applications?

Trusts are not only powerful, but surprisingly deceptive. Generally speaking, the trust's capacity for deception flows from the surprising fact that unlike contractual relationships (which require a "meeting of the minds" of the parties, "full disclosure" of contractual rights and duties and some "consideration"), trusts can exist without some party's recognition, understanding or agreement.

For example, I can create a trust for one of my daughters which specifies that the child will receive some portion of my estate if 1) I die; 2) the child reaches her fortieth birthday; 3) the child never ate any ham from age 18 to 40; and 4) If she's shown to ever eat a ham sandwich, her share of my estate goes to my son.

Do I have to tell my daughter that she's a beneficiary of my trust?

Nope.

Do I have to give her "full disclosure" of the trust rules?

Nope.

So when she turns forty, she might anticipate some windfall. But if my son can show she ate a ham sandwich, rule 4 of the previously undisclosed terms of my trust indenture would go into effect and transfer the entire estate to him.

When you stop to think about it, it's unremarkable that I could create a trust that identified my daughter as beneficiary without giving her full disclosure. After all, she's only 6 years old. What am I to do? Wait until she's old enough to enter into contractual relationships before I attempt to provide for her security? Should she be simply abandoned to the world if I die before she turns 18?

Of course not.

So trusts don't require that they be understood by beneficiaries and therefore there's no "full disclosure" requirement.

That makes perfectly good sense when dealing with kids. The surprise is that the same principles also apply to adults.

I can create a trust and, without your knowledge, name *you* as beneficiary. I can thereby subject you to my undisclosed trust rules and regulations whenever you interact with property I've placed in my trust. I have no obligation to expressly inform you of your role as beneficiary, nor do I have any obligation to provide "full disclosure" of the trust rules.

Instead, *you* are obligated to recognize a "trust relationship" (and thus, the existence of a trust and your role within that trust) whenever you encounter one. Then, if you want to ask to see the trust indenture, I may show it to you. Alternatively, it's also possible for you to initiate your resignation from your role as beneficiary or even trustee in my trust. But note that the entire responsibility for recognizing that a trust even exists rests entirely on you. I have no obliga-

tion to expressly tell you that I've created a trust and identified you as a party to that trust. If you don't sense the presence of my trust and we go to court, you can be tried for breach of fiduciary responsibility or violation of trust regulations that you don't even know exist.

Sounds crazy, but let me show you how this might work:

Suppose all the highways in America were "donated" by our state or federal legislatures into a National Highway Trust. And suppose that trust's indenture declared that anyone using trust property (the highways) was deemed to be a trust beneficiary and therefore required to 1) have a drivers license and 2) carry insurance on his vehicle. Now suppose that a member of America's "patriot" community was driving down a highway without a drivers license and insurance, was stopped, ticketed, and tried to fight the ticket using constitutional arguments in favor of his unalienable Right to "travel" (without a drivers license) and his right to be free from government-imposed contracts and involuntary business relationships (as with mandatory auto insurance).

Will any of those constitutional defenses have a snowball's chance of success? No.

Why? Because the judge will hear the case based on the unstated presumption that the unlicensed driver entered into a trust relationship when he "used" the trust property (the highway) of the National Highway Trust. As a beneficiary of that trust, the unlicensed driver has no legal rights (relative to trust property, the highway), no constitutional rights, and is reduced to a political and legal status somewhat akin to that of "house nigger" on a pre-Civil War plantation. He may sleep in the "massa's" house and wear the "massa's" clothes, but if he gets uppity, he can be slapped down just like any other right-less slave.

So long as the unlicensed driver is presumed to be a beneficiary using property of an otherwise unmentioned trust, the court will hear the case in equity rather than law. In equity, the judge is unbound by law (including the Constitution) and will rule strictly according to his own "conscience". The judge (acting in a role analogous to co-trustee with the police officer who issued the ticket and the prosecutor) will vote to convict the unlicensed driver (beneficiary) virtually every time.

Unless that unlicensed driver 1) recognizes that he's presumed to be a beneficiary of the National Highway Trust; and 2) defeats that presumption by establishing that he will not accept a "compulsory" benefit or status as beneficiary—he will lose his case every time and walk out of the courtroom muttering to himself about that "treasonous, anti-constitutional s.o.b. judge".

Bondage without disclosure

What the unlicensed driver doesn't understand is that trusts are very much like contracts. If you enter into a contract, you are bound by its terms unless you can prove the contract was imposed involuntarily, through fraud or without "full disclosure" of all relevant facts. Once you sign (enter into) the contract, you're bound by its terms

and no constitutional argument will not normally shield you from your obligation to perform your contractual duties.

Entering into a trust has an identical effect. The difference is that 1) others can "enter" you into a trust without your express knowledge or express consent; or 2) you can also unwittingly enter into a trust by merely "using" trust property. There is no requirement that you sign documents expressly agreeing to enter the trust, nor is there any requirement that you receive "full disclosure" of the trust rules and regulations. It is incumbent on you to recognize the presence of a trust and handle your affairs accordingly.

Ignorance of trusts is no excuse or defense in the eyes of the law. You are presumed to know when you enter into a trust relationship. Insofar as you "knew" and continued without protest, you are presumed to have voluntarily agreed to that trust relationship. As a result, you can be routinely tried for violations of the rules and regulations of trust indentures which you don't even know to exist.

I guarantee that not one American in one hundred has any understanding of trusts. Even fewer are capable of spotting a "trust relationship" and thereby making a rational choice as to whether they will accept or reject their role as party to a particular trust. As a result, beneficiaries of government trusts come to dimly sense and even accept that they are "house niggers"--but they have no idea of they reached that status nor do they know the identity of their "massa".

In this regard, the slaves of the Old South were far better informed than today's American. The "house niggers" were smart enough to know they were slaves. Most modern Americans are not.

A trust by any other name?

If the idea that trusts need not provide "full disclosure" seems bizarre, it gets worse. Even when the trust or its trustees provide you with some disclosure, that disclosure can be deceptive.

For example, the words "grantor," "grant," "trust," "trustee," "benefit" and "beneficiary" are used almost exclusively in relationship to trusts. Nevertheless, the law is clear that none of those words need be used in any document which creates a trust (the trust "indenture"), or appoints an individual to be a "trustee," or allows an individual to "apply" to become a beneficiary.

For example, whenever you pick up a government *application* for a drivers license, So-So Security card, or bank account, you are almost certainly "*applying* for benefits". So far as I can tell, the word "application" (which appears prominently on the heading many forms) is almost always shorthand for "application for benefits".

Thus, whenever you fill out an official "application," you are probably applying to be a "beneficiary" of a government-operated trust. If your application is approved, you will be accepted into the role of beneficiary and will thereafter be *subject* to the trust's rules and regulations. Insofar as you "voluntarily" applied, you are presumed to have "knowingly" entered into the trust relationship. You are therefore bound by the trust's rules. Moreover, you have implicitly agreed that you should have virtually no constitutional defense

against enforcement of those rules.

All of this flows from perfectly legal documents that creates a trust relationship without ever expressly mentioning a "trust".

Super-constitutional applications

Trust rules can "legally" operate in opposition to constitutional precepts. For example, the state may be prohibited from passing a law that violates my "unalienable right" to free speech. However, if I voluntarily apply to become a beneficiary of a trust which has indenture rules prohibiting free speech on certain trust-related subjects, I will have legally surrendered at least part of my First Amendment right to free speech. This ability to legally evade most constitutional prohibitions makes use of governmental trusts an extraordinarily dangerous strategy.

According to several Supreme Court cases, any person who is merely in a position to receive "benefits" is obligated to obey the rules of the organization dispensing those benefits. In other words, even if you've never received a dime from Social Security (a trust), if you *could* receive benefits, you are obligated to obey the rules of the Social Security trust indenture.

(Do you have a Social Security card? Then you could receive benefits. Ergo, you are a "beneficiary" and thus subject to Social Security trust rules.)

If one of those Social Security trust rules was "You must pay income tax", then—whether you knew it or not—so long as you maintained your relationship with the Social Security trust, you'd have no constitutional or statutory defense against paying income taxes.

As a result, if you could be tricked into voluntarily accepting the role of "beneficiary" you might thereby obligated to obey the rules of a trust you've never even heard of. You could be legally bound to obey an unknown series of administrative rules that were perplexedly unconstitutional but nevertheless legal. (Sounds a lot like our modern legal system, doesn't it?)

Moreover, depending on the trust indenture, even trustees can be *bound* to *enforce* the trust's rules without compassion or discretion. Did Junior get home late with Dad's car because he stopped to render first aid at an accident and saved someone's life? No matter. If the trust indenture's rules are uncompromising about returning the car on time, the father/trustee may be *forced* to terminate the boy's use of the car. (Does the Judge believe a particular individual, though convicted, deserves a lenient sentence? No matter, "sentencing guidelines" in a trust indenture might force the judge to impose the harshest penalty.)

Both trustees and beneficiaries can be bound by trust rules to levels of performance that, at first glance, seem incomprehensible or even unconstitutional.

Law of the Case

Every legal controversy is based on a particular body of law. I.e., you can't use probate laws to argue against a speeding ticket; you

must base your legal defense on the traffic code—since it's the "law of the case".

In a trust, the "law of the case" is the trust indenture and rules therein. If those rules require a teenage boy to have his Dad's car back by midnight, and Junior shows up at 12:01, he is in technical violation of trust rules and has no constitutional or statutory foundation to challenge the trustee's decision to terminate, regulate or restrict his beneficial interest (use of the car).

This "law of the case" requirement stands even if you've never read the trust indenture (ever read all the rules of your Social Security Trust Fund?) or worse yet, even if you don't realize you're "trapped" as a beneficiary in trust law. The court presumes you know the relevant law, will not inform you of your ignorance, and will therefore rule against you.

For example, suppose the Federal government created a lawful trust (like Social Security) and lured you into voluntarily entering that trust (perhaps, as an "applicant" for "benefits"). Later, if you realized that your new performance obligations were "unconstitutional", you could not normally use constitutional arguments to escape those trust obligations. In fact, if you only argued your "constitutional rights", you'd be as ridiculous as a man arguing football rules in a baseball game, and allow the judge to truthfully declare, "the Constitution has no place in my court." Instead, the only "law of the case" that you could effectively argue would be the Social Security trust indenture (you might argue you were fraudulently lured into contracting with the Trust, or otherwise challenge trust rules).

If we don't understand that the "law" in our particular case may be a trust indenture, we can argue forever that the income tax is unconstitutional because the 16th Amendment was never properly ratified. But if the "law of the case" (the rule that requires you to pay income tax) is contained in a trust, your constitutional arguments are irrelevant, even if that trust is virtually unknown to you. Because you are *presumed* to know the "law of the case," the court will assume you're incompetent, and inevitably and "inexplicably" rule against you.

Government can't arbitrarily take our Rights, but we can "voluntarily" (though ignorantly) surrender them. Using the lure of "benefits" to entice us into "applying" to become beneficiaries, trusts can be used by government to impose an endless series of obligations on Americans that would be unconstitutional if mandated by statute.

Trusts and political structure

For most of England's history, the King (or Queen) was *the* Sovereign and therefore "owned" *legal* title to all English land. English "subjects" were "entitled" to use/ possess the land, but the Sovereign always *owned* it. Sovereign ownership of all land is a fundamental characteristic of all feudal monarchies. In fact, it's arguable that the principle difference between a "sovereign" and a "commoner" or "subject" was the fact that only the sovereign held legal title to land. If so, it "sovereign" can be defined as one who holds legal title to land. A commoner or "subject" would be one who held (at most)

equitable title to land. This conjecture is somewhat supported by early voter requirements in the USA Republic—in most States of the Union, only those who owned legal title to land (sovereigns) were permitted to vote.

Apparently, England's law, monarchy, and the European political system have been based for centuries on the concept of *divided title* to land—each nation's King had "legal title" to all land; his subject had "equitable title" and possession.

Given the English system's use of divided title to property, was the English monarchy technically a "trust"? Probably—but in any case, *title* to all land was *divided*. Because "commoners" only possessed equitable title to their land, they were virtual beneficiaries (subjects; serfs) of the King (grantor) and therefore obligated to obey all the King's officials (trustees) and laws (indenture). Since the King "owned" legal title to the commoners' land, they were obligated to pay whatever tax (rent) the King demanded or be summarily forced to forfeit their possession of "his" land without legal recourse.

In Robin Hood movies, Prince John's ability to forcefully remove commoners from their homes looks like the worst form of tyranny. But if Prince John held legal title to land and the commoners held only equitable title, eviction without legal recourse was not only lawful but mandatory for any commoner who failed to pay his rent/taxes.

Today, we see a similar situation when you buy a car with a bank loan. In a sense, although you get to drive and "possess" your new car, the bank "owns" it until you repay the loan. Anyone who doubts the bank "owns" your car need only stop making car payments. Just like Prince John, the bank will quickly "repossess" the car *without going to court*. Lacking *legal title* to "your" car, you (like the English commoner) had no *legal* recourse against "repossession".

Of course, because you had some equity (but not title) in the car, you still had an "administrative remedy" against repossession (you might produce cancelled checks proving you'd made timely payments). However, since you lacked "legal title", you would only have recourse to a court of "equity" (which determines equitable titles and *beneficial* interests in administrative hearings).

Lacking *legal* title, you had no recourse at *law*—where the sole duty of a court of law is to determine *legal* rights. Why? Because legal rights flow from legal title. If you don't have legal title to a particular property, you have no legal right to it, and thus no standing to invoke a court of law.

The rallying cry of the American Revolution was "No Taxation Without Representation". This implies that King George was charging Americans a tax on land or other property (like tea) without their consent.[1] But if the King owned "legal title" to all the property in his realm (including the Thirteen Colonies), the colonists were virtual "beneficiaries" enjoying the equitable use of the King's property. If the comparison between Colonists and trust beneficiaries is valid, Colonists might have had no *legal* right to "representation" since beneficiaries are prevented by law from having legal or administrative control over the trust rules or property.

This interpretation implies that the driving force behind the American Revolution was not to achieve the generic "Freedom" we like to talk about, but more precisely to allow common Americans to have *full title to their property*. I suspect that Americans of the 1780's were the first people in modern history to hold *both* legal and equitable title to their private property. As such, they were "sovereigns". Their homes truly were their "castles" (protected by walls of *legal* title rather than a mere moat of "equity") and the American government could not tax (charge rent) or regulate that land or property to which it lacked legal title except by the consent of the People as expressed by their Representatives in Congress.[2]

Return to bondage

If divided title to land and property was the fundamental characteristic of the English Monarchy (and probably all other totalitarian, socialist and communist governments), and if every man's right to "full title" to his property was the fundamental purpose for the American Revolution and our Constitution—then what shall we make of our current government's apparent inclination to create and administer trusts which *divide title* to property? By reestablishing a trust-based, divided-title political and legal system, our government has arguably changed this nation back from a post-constitutional Republic—where people had *full* (undivided) title to their property—into a pre-constitutional colony/territory where the people are again "subjects" and the government has once again become "sovereign". Through the use of trusts, our government seems to be restoring a feudal system of government.

In this emerging "U.S. colony" the people, at best, have equitable title to their property and function as beneficiaries subject to the "divine rights" of government. I'll even bet the fundamental principle behind the New World Order (NWO) is "divided title" to all land (and later, all property and probably persons) into "legal title" (held by the state/NWO) and "equitable title" (mere possession) held by the world's people.

Any attempt by our government to diminish our right to full title ownership of our property must be viewed with as un-American, deceitful, and arguably treasonous. As such, I have a hunch that any government (or government agency) based on trusts (divided titles) might be challenged as "communistic" and contrary to our constitutional guarantee of a "Republican [full title to property] form of government".

That which is Caesar's

If government trusts (like Social Security and the National Highway Trust) pose serious problems, they're nothing compared to the possibility that our "money" may also be a trust instrument.

If there's one Biblical passage that's bewildered me, it's *Luke* 20:20-25 where the Pharisee's tried to trap Jesus by asking, "Is it right for us to pay taxes to Caesar or not?" Jesus replied, "Show me a denarius [a Roman coin]. Whose portrait and inscription are on it?"

"Caesar's," they answered.

"Then render unto Caesar that which is Caesar's, and unto God that which is God's." According to the Bible, the Pharisees were "astonished by his answer" and "they became silent."

Perhaps everyone else understands that passage, but until recently I just didn't get it. But now I begin to suspect that what Jesus meant was, "He who owns the money, owns the property which was bought with the money." Sounds so obvious as to be irrelevant, hmm?

But maybe not. Maybe Jesus hinted at a subtle aspect of money that's gone largely unnoticed for thousands of years.

Again, the usual process for purchasing a new car includes your contract with a bank for a loan. Although you "possess" (use and drive) the car, under the terms of your contract, the bank "owns" the car until you've repaid the *entire* loan and can therefore "repossess" it if you fall behind in the payments. If you actually "owned" (had legal title) to the car, the bank could not take it from you without a court hearing.

Point: in a sense, the bank owns "your" car until you *repay* the entire loan.

Why? Because you purchased the car with the bank's "money" (actually credit). And there is an ancient principle that whoever owns the money, owns whatever that money is used to buy.

This principle is seen in Old West questions of theft. Suppose some "sidewinder" broke into your ranch in the 1880s and stole your leather pouch filled with gold dust. Suppose he used your gold to buy a small herd of cattle. When the Sheriff catches the thief, your gold is gone and the thief is going to jail. Who owns the cattle? You do. They were bought with your "money". The law recognized it couldn't return your gold dust, but it could give you the cattle purchased with your gold. It was the best they could do. Afterwards, you could sell or keep the cattle as you saw fit.

The man who owns the money owns whatever that money buys.

Perhaps that's the message in *Luke* 20:20-25. If Caesar's face was on the money, he owned it. Whatever was purchased with Caesar's money was legally Caesar's property. If you used Caesar's money to purchase your house, you might still "live in" (use and possess) "your" house, but Caesar in fact owned it. If you failed to pay taxes on the house that Caesar owned, you could be evicted.

The man who owns the money owns whatever that money is used to buy.

Creating cash

Here's another fundamental principle in law: By virtue of the creative act, whoever first creates something has both legal and equitable title to his creation. As creator, he can keep his creation or he can sell (or donate) the legal or equitable titles (separately or together) to whoever he likes for whatever price he's willing to accept.

In the U.S., the "creation of money" is somewhat like purchasing a new car:

1. New Federal Reserve Notes (FRNs) are printed (created) by the Federal government's Bureau of Printing and Engraving. Each note has a particular serial number.

2. The new FRNs are reportedly *sold* at their printing cost (approximately $0.04 each, regardless of their denomination) to the Federal Reserve System (a trust administered by Alan Greenspan and his board of co-trustees). The government's bill of sale presumably identifies the serial number of each FRN sold to the Federal Reserve System.[3]

3. The Federal Reserve System ("FR System") then *loans* the paper FRNs at full face value to the various Federal Reserve Banks ("FR Banks"). Each loan presumably identifies the serial number of each FRN passed from the FR System to the FR Banks.

4. The FR Banks then issue the FRNs to local banks which in turn disperse them to the general public.

5. The general public uses the FRNs as a medium of exchange to *purchase* (not "buy") various services and products.

6. Over time, the FRNs age, wear out, and are removed from circulation by the Banks and burned. (Reportedly, the serial numbers of "worn out" FRNs are recorded before they are destroyed.)

If my understanding of the creation of money is fundamentally correct, this process raises three intriguing questions:

> First, if the FR System really *buys* the physical FRNs (the green pieces of paper stamped with various text and graphics) from the Bureau of Printing and Engraving, *how does it pay for them*?

It's inconceivable that our government allows the FR System to pay for FRNs with FRNs—especially at the rate of $0.04 for each new FRN of any denomination. Imagine, if you had just $1—at $0.04 each, you could buy *twenty-five* $100 bills. And once you had twenty-five $100 bills, you could use them to buy another *sixty-two thousand, five hundred* $100 bills (at $0.04 each). And then you could buy . . . well, obviously, this scenario is so absurd, it's virtually impossible. The FR System can't be "paying" for freshly-printed FRNs with freshly-printed FRNs.

Implication? The FR System must pay for FRNs with a form of money other than FRNs. What form? I don't know, but the answer is almost certainly some form of *real* "dollars" (a physical mass) of gold or silver coins.

As you'll see, it may be important to identify the "nature" of money used by the FR System to "buy" FRNs from the Federal government. But before we discuss the "nature" of money, let's consider the second and more intriguing question:

> If the FR System truly *buys* FRNs from the Federal government, then doesn't the FR System *own* those green, physical pieces of paper we call "Federal Reserve Notes"?

This question leads to my third question (and the foundation for my entire hypothesis about FRNs):

> If the FR System initially buys and owns the FR Notes, when does the FR System *cease* to own those green, physical pieces of paper we carry in our wallets?

Remember how you purchase a new car? You get to drive it, but you don't really "own" it until you've *repaid the loan*.

Likewise, it should follow that the FR System continues to *own* the physical FRNs until the FR Banks repay the particular loan that placed each FRN in circulation. This implies that the FR System may hold *legal title* to all those green FRNs in your wallet!

But how can you continue to buy products and services with someone else's money? Wouldn't that be illegal? Wouldn't your use of someone else's money be analogous to the Old West thief who bought cattle with someone else's gold dust?

Absolutely—unless FRNs are another example of *divided title*.

If the FR System retains legal title to FRNs until the initial loan from the FR Banks is repaid, then you, by virtue of possessing and legally using FRNs before that loan is repaid, must be presumed to have only "equitable title" (beneficial interest and use) in those FRNs.

And clearly, using FRNs *is* a "benefit". After all, by using these virtually worthless pieces of paper, you can purchase real, tangible property like computers, cars, and homes. What could be more beneficial than seemingly getting "something" (tangible property) "for nothing" (FRNs)? Or so it seems.

But as I said before, whenever I see a "divided title", I suspect I'm seeing a trust—and probably a trust indenture that increases my obligations and/or diminishes my rights. If FRNs have divided title, the FR System is a trust, Alan Greenspan and his board of directors are the Trustees, the FRNs are the "corpus" (property) of the trust, and anyone who uses FRNs to *purchase* (not "buy") products or services is a "beneficiary"—and therefore obligated to obey whatever mysterious rules might be included in the FR System's indenture.

Note that the difference between "buy" and "purchase" is huge. According to *Black's Law Dictionary* (4th Rev.) "buy" means,

> "To acquire the *ownership* of property . . . ." [Emph. add.]

But "purchase" means

> "*Transmission* of property from one person to another . . . ." [emph. add.]

One who "buys" acquires *ownership* (legal title) to property while one who "purchases" merely "transmits" (transfers the right of possession and equitable title) of that property from one person to another.

Thus, it's entirely possible for a property to be "purchased" by a series of persons who each, in turn, hold its equitable title and then transfer that equitable title to someone else—while the original owner of legal title remains unchanged since no purchaser has actually "bought" legal title to the property.

Seizing FRNs

There's a classic forfeiture story in which a hurricane is about to hit Georgia. A woman who owns a substantial business in Georgia couldn't buy plywood to board up her business because the local lumber yard was sold out. So the woman jumped in a truck and headed to Florida to buy plywood there. She knows the Florida lumber yards won't honor her out-of-state checks, so she takes $10,000 in cash to pay for the plywood.

En route, she's speeding and is stopped by the police. They spot the $10,000 cash and seize it under the pretext that it must be involved in drug trafficking.

The hurricane comes and goes, and for years the woman litigates unsuccessfully with the police to recover "her" money. Eventually, the police agree to give her half of the money, and keep the other half for themselves. Exhausted by the expense and frustration of being unable to recover "her" $10,000 in court, she takes the "deal".

Similar forfeiture stories are commonplace. Innocent people possessing large sums of cash suddenly lose that cash to police seizures. They are almost always unsuccessful at recovering their money in court.

There is a peculiar and essential question underlying all of these seizure cases: How can the police simply seize "your" money without a court order? For example, if I were to simply "seize" $10,000 of your cash, it would be considered theft. I'd be sent to jail. But when the police seize $10,000 of your money, they are not only immune to prosecution for theft, they don't even have to return the money.

How can this be?

I believe the answer lies in the fact that FRNs were loaned into circulation, and therefore the FR System still owns legal title to the FRNs in your wallet. If so, then the police aren't really "stealing" when they seize "your" cash, because you don't really *own* legal title to the cash in your wallet. You merely hold equitable title to use that cash.

Legal title to "your" cash remains with the FR System until the original loan is repaid. You only get to possess/ use "your" cash according to the rules of the trust indenture established by the real owner (the FR System). Since you don't "own" legal title to your cash, if you violate a rule of the FR System's indenture, it's as legal for government (acting as trustee/agent for the FR System) to "repossess" that cash as it is for the tow truck driver to repossess your car if you stop repaying your bank loan.[4]

If you stop making payments on "your" car, must the bank take you to court to repossess? Or can they simply send a tow truck to your house and seize the car? Answer: Send the tow truck.

Why is no court action necessary? Because, until the bank loan is

repaid, your don't own "your" car. Relatively speaking, the bank is the "owner" (has a title) and thus can come seize "its" car anytime it wants.

Similarly, I believe your FRNs can be seized precisely because they aren't really "yours". Yes, you get to use them. Yes, you get to use whatever they purchase. But legal title and true ownership of FRNs remains with the FR System.

If so, government (agent for the FR System) can seize "your" FRNs anytime you violate the rules of the FR System's trust indenture. If those rules prohibited "hoarding" over $10,000 in cash, then anyone caught violating those rules might instantly forfeit the equitable right to possess those FRNs and have no legal recourse.

Does this hypothesis explain the mysterious laws governing the seizure of cash? I'm not sure. But that hypothesis is consistent with modern seizure procedures and, though hard to believe, plausible.[5]

Intrinsic value

If FRNs are trust instruments characterized by a divided title, it's also true that FRNs haven't always been here and therefore, it's probable that some forms of money (especially those prior to FRNs) did not have divided title. I.e., some forms of money might have had the "intrinsic" value of "full title" (both equitable and *legal* titles).

Most people believe that when the Constitution granted Congress the power "To coin Money" (Art I, Sect. 8 Cl. 5) and prohibited the States from making "any Thing but gold and silver Coin a Tender in Payment of Debts" (Art. I, Sect. 10, Cl. 1), the Federal government received the exclusive right to "create" money. Not so.

> "Intrinsically, a dollar bill is just a piece of paper."
> *Modern Money Mechanics*
> Federal Reserve Bank of Chicago

First, any legal definition of "money" used for *payment* specifies a certain physical *mass* of gold or silver. In other words, while wooden nickels, "clad" quarters, and even FRNs can be used as *kinds* of currency, they aren't necessarily "constitutional money" (also known as "tender"). Everyone knows that Constitutional money must contain a certain intrinsic *physical mass* of gold or silver. However, I believe there's an even more important "intrinsic" value that turns mere disks of metal into real money: legal title.

Who created (and therefore *owns*) gold? Who created (and therefore *owns*) silver? Depending on your point of view, either God ("'The silver is mine and the gold is mine,' declares the Lord Almighty." *Haggai* 2:8)—or the miners and prospectors digging in the Earth—"created" each batch of physical gold, and as creators, "own" the first legal title to that gold. In either case, gold and silver are not created or necessarily *owned* by government.

Historically, when a prospector found some gold ore, he'd bring it to a U.S. Mint which refined the ore, divided the physical mass of "pure" gold into individual metal disks of a certified weight and purity, and then (after deducting a reasonable charge for processing and certifying the coins) gave the gold coins to their proper owner—the prospector.

When government "coined" money, it didn't create (and therefore own) the money; it merely *certified* that a particular metal disk had certain intrinsic attributes (like weight and purity of gold). Much like a meat inspector stamps "USDA Prime" on the side of some cuts of beef, the government stamped certain text and graphics onto the metal disks to certify the gold was indeed, "Prime".

The USDA stamp doesn't give government legal title to the meat, it merely *certifies* the meat has certain intrinsic attributes. Similarly, the government's fundamental purpose in "coining" money is simply to place a "stamp" (image and text) on the metal disk that certifies that the particular disk has certain intrinsic qualities.

But what intrinsic attributes did the U.S. Mint certify when it "coined" a $20 gold piece? Obviously, the Mint coined/ certified there was a particular weight and purity of gold in the coin, but is that all? Maybe not. Since the newly coined money was still *owned* by the prospector who found/ created it, it's clear that government did not claim legal title to the gold coins.

But if the prospector owned the new coins, why wasn't his name or serial number printed on them? How could they be identified as his? They couldn't. And more, no one (including the prospector) would want to identify a coin as the prospector's since he'd have a very difficult using it to buy something. After all, would you accept a gold coin that was clearly marked as someone else's property? If you did, what's to prevent some unscrupulous prospector from coming back to your store tomorrow with the police and claiming you stole "his" coins. Without a receipt signed by the prospector that verified he traded his specific coins to you for your products, you might incur a lot of legal trouble by accepting a coin that carried notice that the coin was owned by someone else. (The same is still true with FRNs)

The only way the silver and gold coins could work efficiently was if ownership (legal title) was implied by possession (equitable title) of the coin. No other evidence of title to the money is required. If you held it, you presumably owned it (unless a court of law ruled otherwise). Thus, legal title had to be *intrinsic* in the gold and silver U.S.-minted coins if only because a divided title was too impractical to be workable among a free people.

Further, if the only issue were weight and purity of intrinsic gold, why couldn't we use Mexican or English gold coins as payment? Could it be that the definition of "payment" involves more than mere physical gold or silver? Is "payment" only possible when the money used carries *intrinsic legal title*?

Yes.

The nature of money

Earlier in this article we mentioned the "nature" of money. I believe that "nature" includes not only intrinsic *physical* attributes (*mass* of gold or silver), but also intrinsic *legal* attributes. For example, whenever the U.S. Mint certified a coin, it not only declared there was a inherent quantity of gold or silver, but also that the coin could

be used as “Tender in *Payment* of Debt” (Const., Art. I, Sect. 10, Cl. 1).

Black’s Law Dictionary (4th Ed. Rev.) defines “Tender” as an “*offer* of money” that may be *voluntarily* accepted. Note that the “tender” referenced in the Constitution is not synonymous with “*legal* tender”. According to *Black’s* 4th, “legal tender” means a “*kind* of money” that creditors are *compelled* to accept by law.

Note the distinction: The acceptance of “tender” is *voluntary*; the acceptance of “legal tender” is *compulsory*.

But doesn’t everyone want mo’ money, mo’ money, mo’ money? If so, why would it be necessary to pass a law that *compels* creditors to accept “legal tender”?

There can be only one answer: “*legal* tender” (as opposed to “tender”) must be an *inferior* “kind of money” that sensible creditors—given freedom of choice—would normally shun.

Thus, “legal tender laws” must be intended to deny a portion of our former freedom and force us to accept a “kind of money” that is intrinsically inferior. Legal tender laws are analogous to forcing a man to accept a handwritten IOU in payment for a debt that he expected to be repaid in gold coins.

Since FRNs are designated as “legal tender”, are they an inferior “kind” of money? Logically, that’s the only possibility.

If so, what is the nature of that inferiority?

I believe the answer is that FRNs divide title to property. I suspect that when a would-be “buyer” uses FRNs to obtain a property, he doesn’t actually “buy” (gain legal title)—he merely “purchases” and there gains equitable title only.

If so, the legal implications are enormous: We don’t truly “own” whatever we’ve purchased with FRNs—we merely enjoy the equitable right of use, much like a renter who can be evicted or dispossessed at any time.

Title to FRNs

It’s easy to see that FRNs (legal tender) might have divided title and an easily identifiable “owner”. After all, just as cars have a unique serial number on their engines and bodies to prove ownership, each FRN also carries a unique serial number.

Given that serial numbers were never necessary for gold or silver coins (lawful money), why are they necessary for FRNs? Clearly, FRN serial numbers are no deterrent to counterfeiting. So what other explanation remains for FRN serial numbers, except (like automobile engines) to prove something about their legal ownership?

If the FR System owns legal title to our FRNs, its claim might be verified by doing a “title search” of each FRN’s serial number to see: 1) when the particular FRN was loaned into circulation; and 2) if the original loan had been repaid. If the loan was still unpaid, the FR System would still own legal title to the FRN; if the loan had been repaid, the FR System’s claim of ownership (legal title) should be extinguished.

But how could you divide the title to a U.S.-minted $20 gold coin? How could you prove each coin had an extrinsic legal title and owner

other than the man who possessed it? Since there's no serial number on gold coins, there's no obvious means to distinguish the owner of one coin from the owner of another. While it's apparent that whoever possesses a gold coin has equitable title (he can use the coin to purchase property), who has legal title to each coin? I believe that with gold "coined" by the U.S. Mint is certified to contain intrinsic legal title and be presumed by mere possession. ("Possession is 9/10th of the Law"?)

In other words, unless disproved in a court of Law—if you possess a U.S.-minted gold coin, you are presumed to own legal title to that coin. Therefore, unlike FRNs, U.S.-minted gold coins may "contain" *full title* (equitable and *legal* titles) as an *intrinsic* value.

If so, the most critical intrinsic value of a U.S.-minted coin is not the coin's gold content, it's the coin's intrinsic "full title"—its capacity to convey *both* equitable and *legal* titles to property from a seller to a buyer.

Something for something?

OK, why is legal title to our money so important?

Answer: Ancient principle—the man who owns the money, owns whatever it buys.

Suppose you run a business, and give one of your employees some petty cash to go to the store to purchase some envelopes. Obviously, although your employee "possessed" the FRNs used to buy the envelopes, he was only functioning as your agent and therefore could not legally claim to "own" the envelopes. Even if he had the receipt for the envelopes made out in his name, if you could prove you gave him the currency to purchase the envelopes, the courts would rule that *you* "owned" the envelopes.

Point: mere *possession* of money does not absolutely signal *ownership* of whatever was purchased with FRNs. The man who owns the money, owns whatever it buys.

That sounds obvious, but consider the more subtle analogy of a kid going to college. (Note that this analogy is intended to illuminate the nature of the relationship between a person who *owns* the money and a person who *uses* the money. However, this analogy is not technically correct.)

To ensure the kid has enough spending money, Dad gives him Dad's own Master Card to use at school. Relatively speaking, Dad has "legal title" to that credit card (he receives and pays the bills) and his son has "equitable title" (possession and beneficial use of property purchased with the credit card). The distinction between "legal" and "equitable" titles may not mean much to the boy since he can merrily use Dad's credit card to purchase a new laptop computer for himself or beer for his buddies. But if he purchases too much beer and Dad gets mad—since the computer was purchased with *Dad's* credit card—Dad has "legal title" to the computer and can legally "repossess" it.

Point: Because the boy only had "equitable title" (right of possession or use) in the credit card, he could only purchase "equitable title" (right of possession or use) in the computer. But if Dad had

"legal title" to the credit card, Dad also got *"legal title"* to whatever was purchased with *his* credit card.

This principle implies that,

> Legal title to all property belongs to the person or entity that held legal title to the particular money used to buy (or purchase) the particular property.
>
> Therefore, the intrinsic "nature" of the money used in a transaction determines whether each individual's rights to the particular property are "legal", "equitable", or "full" (both).

If so, perhaps Jesus implied in Luke 20:20-25 that since the coin he was shown was "owned" by the Roman Emperor, whatever was bought with that coin was also owned by the Emperor and therefore, taxable. Could that be why he answered, "Render unto Caesar that which is Caesar's (paid for with Caesar's money). Render unto God that which is God's (paid for with God's "money"; i.e. his gift to you of life and ability to labor)." If you purchased something with a Denarius, pay tax on it to Rome. If you bought something with your labor, pay a tithe to God's church?

Have a mint?

If the only intrinsic value of money were its physical content, why couldn't we use gold coins from Mexico or England to buy property in the USA? They carry a fixed and measurable mass of gold, so why are they "different" from U.S.-minted gold coins?

The only answer I can imagine is that while the U.S. Mint can coin/ certify that a particular metal disk contains *intrinsic legal title*, the Mint lacks the information or authority to *certify* that foreign gold coins also contain legal title. Maybe they do, maybe they don't. While the gold coins of Mexico may contain intrinsic legal title, it's entirely possible that legal title to the gold "Sovereigns" of England are owned by the Queen and, if so, users only get equitable title to whatever is purchased with an English Sovereign.

In any case, the U.S. Mint neither knows, cares nor has authority to declare whether a particular foreign coin contains intrinsic legal title. Thus, they only certify that U.S.-minted (not foreign) coins have intrinsic legal title and are therefore guaranteed usable as a "medium of exchange of legal title," a "tender in payment".

This doesn't necessarily mean that you can't "buy" full title to a new Cadillac with Mexican gold coins; it merely means the U.S. Mint will not certify Mexican gold coins contain legal title. Maybe they do, maybe they don't—let the courts decide.[6]

The man who owns the money

For several years, a strange, persistent rumor has rattled around the constitutionalist community: Whatever you purchase with FRNs actually belongs to the FR System. Sure, you could still "possess" whatever you purchased with FRNs, but it was technically *owned* by the FR System. Although that notion was variously explained with

claims that FRNs were really "military scrip" or "worthless insurance scrip", I couldn't make sense of the explanations.

But the idea that the FR System "owns" legal title to whatever is purchased with *their* FRNs makes sense if FRNs are trust instruments characterized by *divided title*. Like the college boy using his Dad's credit card, whether you know it or not, legal title to "your" property belongs to whoever had *legal title* to the money you used to purchase that property. E.g., unless there is an express agreement to the contrary, if you only have *equitable title* to the FRNs in your pocket, you can only purchase *equitable title* to whatever property is exchanged for those FRNs.

More importantly, if the FR System holds legal title to the FRNs in your pocket, legal title to any property purchased with those FRNs should go to the FR System. Therefore, legal title (real ownership) of any property purchased with FRNs should become property of the FR System trust. Of course, if the FR System trust owns legal title to "your" property, it is well within its power to administer their trust's property (your computer, for example) any way it likes. Just like the father who demands his son have the family car back by midnight with a full tank of gas, the FR System might impose similar rules on the use of computers purchased with FRNs by FR System beneficiaries (consumers).

No unalienable Right to property?

If the FR System owns legal title to your boat, home, farm or business purchased with FRNs, what's to stop them from seizing "your" property (just like Prince John seized the property of English subjects) whenever you violate the smallest, most idiotic rule in the FR System indenture? Nothing.

For example, suppose the FR System's trust indenture said that any of its property (like a house or car) found to contain a "controlled substance" was subject to forfeiture (repossession). Suppose the police catch a boy with a little marijuana in his grandma's home. Can the cops seize grandma's house? They can and do. Is the foundation for that seizure the fact that Grandma purchased her home with FRNs that left legal title to the FR System?

I don't know, but that explanation is not completely implausible.

On the other hand, if Grandma had *bought* (not "purchased") her home with gold coins certified/ coined by the U.S. Mint to contain the *intrinsic* value of *legal* title, could the police seize her home because her grandson got high? If my hypothesis is correct, No. Or at least not without first going to a court of *law*, exercising due process, and getting a lawful court order.

Light at the end of the bank vault?

What happens if the FR System surrenders legal title to the FRNs? After all, sooner or later, the loan that placed each FRN in circulation will be repaid to the FR System and thereby extinguish the FR System's claim of legal title to that FRN. Presumably, once the loan is repaid, if there is no remaining claim to the FRN's legal title, the trust will be

"executed," legal title will default back into the FRN and whoever is left holding that FRN will have both equitable *and* legal title.

Then what? Well, if the critical "intrinsic value" of lawful money isn't gold, but *legal title*, and you had "full title" (legal and equitable) to your paper FRNs, it follows that you might actually "own" full title to whatever you *bought* (not "purchased") with them.

Thus, in theory, an *old* FRN might truly be "as good as gold" if you could prove that the *loan* that placed it in circulation had been repaid, the FR System no longer held legal title, and therefore "possession was 9/10th of the law". In other words, if no one else could claim legal title to the FRN in your pocket, you might have full title by default, by virtue of mere possession.

Suppose you used $20,000 in *old* FRNs to buy a new car. Suppose you carefully listed every FRN's series and serial number (which presumably correspond to the original loan that placed each FRN in circulation) on the car's bill of sale. Suppose you attached proof (public record) that each FRN's loan had been extinguished. Then you might be able to argue that since "full title" (legal and equitable) was "intrinsic" in all of your paper FRNs, you could therefor also *buy* "full" (legal and equitable) title to the car.

If any of this hypothesis were valid, why don't people save their old FRNs and use 'em to buy their homes and cars? Part of the reason may be that FR Banks cull old FRNs from circulation and burn them. I understand that the average FRN lasts less than a year before it's removed from circulation as too worn to be serviceable. It's remotely possible that FRNs may be intentionally designed to wear out and be burned long before the FR System loans that put the FRN in circulation are repaid. If so, FRNs are intentionally destroyed before they "mature" into real ("full title") money.

If full-title FRNs are possible, then "old" FRNs might be just as "collectable" as "old" dimes and quarters made out of real silver. If so, we could literally beat *their* swords (divided-title FRNs) into *our* plowshares and once again "buy" (not purchase) our homes, cars, food and property—and escape the non-constitutional regulations that may now be imposed on property purchased with trust-based, divided-title money.

Exceptions or contradictions?

Are there be exceptions to FR System owning all of "your" property purchased with "their" FRNs? Seems so.

For example, it's pretty clear that even though "your" car may have been purchased with FRNs, legal title to "your" car actually belongs to the STATE wherein you registered the vehicle. Thus the STATE (rather than the FR System) seems to own "your" car. Based on that ownership, the STATE can impose whatever rules it likes about operating "its" vehicle. If the STATE-owner decides you must have a drivers license to operate "its" car, sobeit. Likewise if the STATE-owner decides you must pay for insurance before you can drive "its" car, sobeit. In fact, the STATE's ability to regulate the operation and safety features on "your" car seems to flow directly from the fact

that the STATE actually owns legal title to "your" car, and you merely hold the equitable "Certificate of Title".

If the STATE actually holds legal title "your" car, then either:

1) My general hypothesis that FRNs convey legal title to the FR System is wrong.

With only intuition for my guide, I dismiss this first possibility because I assume my hypothesis is fundamentally correct.

2) The STATE and FR System have entered into a unique agreement wherein the STATE holds legal title and administer the use of the automobiles on behalf of the FR System.

Again, without evidence, I dismiss this second possibility because "special agreements" between the FR System and each of the fifty STATES would probably be memorialized in statutes but would, in any case, be almost impossible to conceal. Unlike statutes or contracts—which inevitably must be made public knowledge—only trust relationships offer both a recognized legal foundation and the effective secrecy required to seduce unwitting Americans into surrendering legal title to their property.

3) There may be exceptions to my general hypothesis.

I am about 98% confident that legal title to "your" car was unwittingly donated to the state when your car was new and the first "buyer" paid an extra fee for "tax, title & license". With that voluntary transaction, the Manufacturer's Statement of Origin (full title to the car) was "donated" to the state. The state then sends you a Certificate of Title which is not "Title" but merely an evidence of title that functions as equitable title to "your" car. The state retains the legal title and, based on the original buyer's "donation," the car remains subject to state administration, regulation and control.

If this analysis is roughly correct, then the FR System is not absolutely guaranteed of receiving legal title to all that is purchased with FRNs. Instead, if it agrees to do so, the automobile manufacturer who created and owns legal title to a particular automobile can agree to relinquish legal title to that property to anyone for any sum of "tender" (lawful money), "legal tender" (FRNs), a bag of peanut shells or a single, sloppy kiss.

If exceptions are possible for automobile titles, then exceptions should also be possible for other products as well. How would these exceptions be achieved?

Assuming you had legal title in the first place, you might expressly donate that legal title to another person as a "gift" in addition the equitable title purchased with FRNs. In other words, sign a contract in which you agree to convey the equitable title to the property for $10,000 in FRNs and also "donate" the legal title as a gift.

Better yet, you might expressly agree to transfer the equitable title to the property for $10,000 and also expressly agree to sell the

legal title to that same property for twenty-one silver dollars.

As a buyer, it is remotely possible that you might be able to establish a claim on the legal title to property simply by using FRNs with an express protest that effectively refutes the presumption that legal title defaults to the FR System and/or government.

4. My general hypothesis is partly wrong and partly right.

In fact, I don't know what happens to legal title to most property purchased with FRNs. I know that it's a fascinating possibility—but only a theory—to suppose that legal title to all property purchased with FRNs defaults to the FR System. But my theory could be mistaken. If so, I don't know who gets legal title to most of our property. (Perhaps it's the government. However, in our political system, it's unclear whether the FR System and our "government" are in fact separate entities or two sides of the same "coin".)

However, while I'm unsure who absolutely gets legal title, I am convinced that you and I only receive equitable title to virtually all of our property. And because we only receive equitable title (not legal), we have no legal rights, no standing at law, no access to courts of law whenever our property becomes subject matter for a case to be litigated. Instead, we are generally subjected to the "tyranny" of courts of equity where the judge rules strictly according to his own "conscience" and is otherwise unbound by law.

This loss of legal title, legal rights and access to courts at *law* is an enormous personal disability and denial of the fundamental principles on which this nation was conceived. One way or another, this loss is implemented through the use of "legal tender" FRNs rather than "tender" (lawful money).

When we lost our lawful money, we lost our access to law and many of those God-given, unalienable Rights declared in the Declaration of Independence and secured by our original Constitution and Republic. If we would escape equity and regain access to law, our first step must be to restore a lawful form of money that convey "intrinsic" legal title to property.

As I warned in the beginning, this ideas in this article are to be considered, not believed, and "taken with salt". I'm clearly writing on thin ice.[7]

Nevertheless, the hypothesis is intriguing, hmm? "Full title" money ("tender") buys full title to property. "Equitable title" money ("legal tender"; FRNs) purchases only equitable title to property. The critical "intrinsic value" of money is not it's physical mass of gold or silver—it's the "intrinsic" capacity to exchange *full* (equitable and *legal*) title to property from seller to buyer.

[1] "Representation" is nearly synonymous with "consent".

[2] If full title to property was so important to the American Revolution, why isn't it mentioned in the Federal Constitution? Since the Federal government had little right to own property, questions about property rights and title rights wouldn't be necessary in the Federal Constitution. However, the Founder's high respect for property and full title might be glimpsed in the original terms of suffrage: The right to vote was determined by each State, and typically held that only men over 21 year of age who *owned* property (land) could vote. Apparently, without full title to land, you had no right to vote.

Properly understood, the Federal Constitution is a "generic" or secondary constitution designed to protect each of the "primary" constitutions—those of the first thirteen States. America's new and revolutionary rules of property should be enshrined in the first State constitutions. In fact, a thorough analysis of the common denominators of the first thirteen State constitutions should reveal a working definition of the term "Republican form of government". Without researching the issue, I'd still bet a fundamental characteristic of Republic is the right of the People to own full title to their property (i.e., allodial title).

[3] This entire article hinges on the report that the FRNs are actually *bought* from the national government by the Federal Reserve System. If the FR System only "purchases" the FRNs from the feds, then legal title to the FRNs would remain with the national government. The divided title argument would still be valid except that the real owner of the FRNs (and all property purchased with them) would be the federal government rather than the FR System.

[4] What's the FR System's rule that allows seizing cash? I don't know, but I suspect there's a trust indenture rule that prohibits any beneficiary from "hoarding" more than $10,000 in FRNs outside of a bank account. The "legal logic" of this hypothetical anti-hoarding regulation might be based on the banks' use of bank deposits as a foundation for "creating" more money through the "fractional reserve" procedure. That is, if I deposit $10,000 in my bank account, the bank can use my deposit as a foundation to "create" another $80,000 to loan to my neighbors. Therefore, by "hoarding" my FRNs outside of a bank account, I'm arguably depriving my neighbors of loans necessary to stimulate the economy or provide other "benefits" required by "public policy" (a term which probably signals a "public trust" indenture). I'd also bet anti-hoarding laws are based on a presumed national emergency. So long as a national emergency is declared to exist by El Presidente, hoarding of money, food, etc. might be administratively verboten. Also, government is not merely allowed, it might even be *ordered* as trustees to "repossess" any excess cash and—I'll bet—redeposit that cash into a bank.

[5] If government can seize your FRNs because (unknown to you) their "legal title" belongs to the FR System, then it might follow that "anti-hoarding" laws might only apply to those products in which you have equitable title and some other entity has legal title.

For example, food bought in a grocery store is almost always produced with government "subsidies"—which, according to one

Federal judge makes anyone who buys food a government "beneficiary" and subject. If that Judge is right, I'll bet the subsidy grants government "legal title" to the food, while the farmer, all the middle men, and finally you, receive only equitable title to your food.

Therefore, if government subsidized raising the beef that became the steak on your grill, government may still owns legal title to that steak, and can therefore tell all you beneficiaries how much steak you can legally store. Exceed the limit, and "Big Trustee" (rather than "Big Brother") will repossess your t-bones.

If the state can regulate the use of any food it owns, what about other properties manufactured with a government subsidy? What about pharmaceuticals, cars and homes? The danger in government operated trusts is that the property of such trusts is subject to government regulation without regard to the Constitution.

In any case, if divided title to property is the legal foundation for forfeiture laws, you might *not* be subject to repossession for "hoarding," if you grew your own food in your own garden, canned it yourself, and stored it in any quantity you liked. Since government provided no obvious subsidy to grow your food, it couldn't easily claim legal title to that food, and therefore couldn't regulate the quantity that you might store, nor subject you to food seizures for "hoarding". Instead, if you "grew your own", you'd be engaging in an act of "creation", and as *creator* would enjoy *full title* (legal and equitable) to your product/ creation.

The implications of "owning" full title to whatever you *create* are huge. Because the Federal government "created"/ printed the FRNs, they held full title to the FRNs and could therefore "sell" full title to the FR System. (Gold, on the other hand, was created by God.)

[6] If this hypothesis concerning various moneys' intrinsic title is correct, it might follow that coins carrying intrinsic legal title are "assets" since a positive value that accrues to whoever possesses them. Would it also follow that any money that does not carry intrinsic legal title, is by definition some sort of "debt" or "debt instrument"? That possibility is consistent with FR System's admission that all of our currency is "debt-based". This also suggests that the true legal (and accounting) definition of an "asset" might be based on holding *legal title* while a mere possession is at least not an "asset" since it reflects only equitable (not legal) title. Given that we purchase our equitable titles to property with debt-based money (legal title FRNs), it's remotely possible that anything "equitable" implies the holder has certain obligations that render him a "debtor". In other words, perhaps true "assets" must include legal title while property that includes only equitable title is necessarily a "debt" and those who possess property without legal title are, by definition, "debtors"—even if that property has seemingly been completely "bought and paid for" (but with FRNs).

[7] Oh, one last leap into the constitutionalist netherworld: Is the phrase "IN GOD WE TRUST" seen on our currency a statement of spiritual faith—or the name of a *trust* called "IN GOD WE". . . ? ■

Greater Fools & FRNs

by Alfred Adask

In 1998 (when this article was first published), virtually everyone agreed the stock market was hugely overvalued. Nevertheless, the push to buy more and more stocks continued and was justified in part by the theory of "greater fools".

That is, just because I'm a fool to pay $100 for stock that's objectively worth only $50 doesn't necessarily mean I'll suffer a loss. So long as I remain confident that can find an even "greater fool" (someone willing to pay me $150 for that $50 stock), I might not only prosper, I might even get rich. And so long as the next fool is confident that he can find an even greater fool to buy the $50 stock from him for $200, the system can flourish.

In essence, the bull market of the late 1990s was driven by the urge to get something for nothing and widespread confidence that such alchemy was both possible and morally good.

In fact, while the Bull Market raged, some argued that the real fools were those who didn't buy the overpriced stock. Others, however, saw the stock market and its seemingly endless supply of "greater fools" as a legalized Ponzi scheme. Two years later, when the supply of greater fools (buyers) ran out, the market fell 20% and it was pretty clear that the Ponzi-scheme description was correct.

In hindsight, that's fairly obvious. But, whether we know it or not, all of us play the "greater fool" game—even if we're not speculating in stocks. For proof, look in your wallet. Find any FRNs (Federal Reserve Notes)? If so, your prosperity also depends on the supply and confidence of "greater fools".

The difference between legal title (ownership) and equitable title (possession) may seem esoteric, but it's vital. Consider your car. Do you own it? Even if you have a "Certificate of Title," the answer is No. You have *equitable* title to your car, but the state has *legal* title and therefore *owns* and can absolutely control the vehicle. If you owned your car (had *legal* title), you wouldn't have to license,

register, or insure it unless you did so voluntarily. However, because the state owns legal title to "your" car, it can *force* you to license, register, insure, and maintain (fix tail lights, etc.) the vehicle. Further, since you are only entitled to possess and use the car, if you fail to meet the state/owner's rules, you can be ticketed, jailed, or compelled to forfeit the vehicle.

Think not? Check your state's current law against "grand theft auto". Here in Texas, that crime is virtually nonexistent. Instead, if I take your car, I'll be charged with "unauthorized *use* of a motor vehicle".

Why?

Because I can't steal a car from someone who doesn't legally *own* (have *legal* title to) that car. You merely have the *equitable* title and therefore *equitable* right of possession/*use* of "your" car—not *legal* title and ownership (real control). Taking "your" car is no more theft than an eight-year old boy "taking" his ten-year old sister's bicycle. Since neither child actually "owns" the bike in the first place, no theft took place. You can't be robbed of that which you don't *own*.

> "If all the bank loans were *paid* no one would have a bank deposit and there would not be a dollar or coin or currency in circulation. This is a *staggering* thought. We are completely dependent on the commercial banks. Someone has to borrow every dollar we have in circulation.
>
> If the banks create ample synthetic money, we are prosperous; if not, we starve. We are absolutely without a permanent money system. When one gets a complete grasp of the picture, the tragic absurdity of our hopeless position is almost incredible, but there it is.
>
> It is the most important subject intelligent persons can investigate and reflect upon. It is so important that our present civilization may collapse unless it becomes widely understood and the defects remedied very soon."
>
> **Robert Hemphill, former Credit Manager, Fed Bank of Atlanta (in testimony before the Senate)**

And how do you own something? By *paying* for it with *lawful* money (gold & silver).

Most people would be astonished to understand that it's legally impossible to re*pay* your loan with modern *debt*-based currency like Given that our FRNs and associated forms of "money" are all *loaned* into existence, they are all "*debt*-based" (*promises* to pay) and can't truly "pay" for anything. You can't "pay" a debt with another debt. As a result, it appears that we can't own (buy legal title to) any property purchased with FRNs.

Sound crazy?

It is. Our monetary system is a kind of Alice-in-Wonderland, economic madness with Alan Greenspan starring as the "Mad Hatter".

Will you pay—or merely promise?

FRNs are somewhat like IOUs. Suppose I want to sell ten acres of raggedy Texas farmland that I "own" for $100,000. Suppose no one wants to buy my land, except my friend Rick Smith who not only lacks gold or silver, but doesn't even have enough FRNs to purchase my land. But since I'm a "motivated seller," I agree to accept Rick's $100,000 IOU (promise to pay) for the land.

Anyone who knows Rick understands that: 1) the probability that he'll ever actually re*pay* that $100,000 IOU is close to zero; and 2) I was a fool to accept Rick's $100,000 IOU in the first place.

(However, technically, I'm protected because if Rick doesn't honor his IOU and actually pay me in lawful money for the land, I can bump Rick off the land and regain possession of the property. Until the IOU is actually paid in full, Rick doesn't own the land, he merely has an equitable right to use the land.)

Further, just because I might've been a fool to accept a worthless $100,000 IOU in return for *real* property (my ten acres), all is not lost. Suppose I find an even greater fool (someone who doesn't even know Rick) and persuade him to believe Rick is good for the money and will make payment on his IOU. If I could find this greater fool, he might be persuaded to accept Rick's IOU from me as "payment" for the $100,000 home the greater fool wants to sell in Indiana. Now, Rick's got my land in Texas, I've got a $100,000 home in Indiana, and a new sucker has Rick's $100,000 IOU.

> "There is a distinction between a debt discharged and one paid. When discharged, the debt still exists, though divested of its character as a legal obligation during the operation of the discharge. Something of the original vitality of thee debt continues to exist, which may be transferred even though the transferee takes it subject to the disability incident to the discharge. The fact that it carries something which may be a consideration for a new promise to pay, so as to make an otherwise worthless promise a legal obligation, makes it the subject of transfer by assignment."
>
> **Stanek v. White, 215 NW. 784**

The new sucker finds an even greater fool who's willing to swap a dry cleaning business in California for Rick's IOU. And then the guy in California swaps Rick's IOU to some Hawaiian for a plane load of pineapples. As you can see, the process works just fine so long as everyone can find a greater fool willing to accept Rick's worthless IOU.

However, there are some problems. First, Rick never actually *paid* for my ten acres of farmland. All he did was *"promise* to pay" (create a debt) by writing "IOU $100,000" on a scrap of brown grocery bag paper and sign his name. His total "cost" for purchasing my ten acres was a scrap of paper, some ink, and whatever effort it required to write a few words. In essence, he "bought" my land for nothing.

If you think that's bad, just wait til Rick realizes he can use his Bic to write even more IOUs to other fools. Pretty soon, Rick has a new Ferrari, a mansion, a bevy of big-chested blonds, and he's running for U.S. Senator. He's fixin' to "buy" the whole state despite the fact that he hasn't done an honest day's work ever since he learned how to write his name, a number, and "IOU" on scraps of paper and use 'em as "money".

Obviously, there's something fundamentally unjust about empowering anyone (be it Rick Smith or Alan Greenspan) to purchase real property with pieces of worthless paper (be they IOUs or FRNs). While everyone else has to work to create assets to exchange for their food and shelter, the person who prints the paper currency (debt-instruments) need do nothing but occasionally sign his name. Should we be surprised if a person empowered to print *promises* (debts) rather than coin money (gold and silver) eventually comes to "own" the whole earth? Any fool can tell you it's not only a lot easier to

make promises (print paper money) than it is to mine gold out of the ground. Moreover, the potential quantity of paper money "promises" is unlimited while the potential quantity of gold is clearly finite. Thus, while the hard dangerous work of gold mining prevents any gold miner from becoming "infinitely" wealthy, no similar restriction applies to those who can issue their personal promises as "money". So long as your promises pass for money, you can literally buy the entire Earth.

But let's go back to Rick's original $100,000 IOU (which was successively traded for Texas farmland, an Indiana home, a California business, and finally a load of Hawaiian pineapples). Suppose the Hawaiian who winds up with Rick's IOU can't find a greater fool. Even if he discounts the IOU and offers to trade it for just $50,000 no other Hawaiian is dumb enough to take an IOU from some Texas Howlie.

So the Hawaiian comes to Texas and presents the $100,000 IOU to Rick and asks for the money. Rick doesn't have it. After he blackens Rick's eyes, the Hawaiian returns home and demands the Californian return the pineapples he "purchased" with the worthless $100,000 IOU. The Californian returns the pineapples and then demands his dry cleaning business back from the Hoosier who in turn demands his house back from me, forcing me to demand my raggedy ten acres back from Rick.

Since Rick ultimately refused to *pay* the $100,000 promised on his IOU, that IOU was worthless from the moment it was written. As a result, all subsequent transactions using that IOU were ultimately invalidated, and each piece of property (farmland, house, business, pineapples) eventually returned to its "rightful" owner.

This illustrates an important point: a debt can't be *paid* by another debt (a "*promise* to pay")—it can only be *paid* by the exchange of substance for substance, like for like, legal title for legal title. Rick's IOU could not *buy* legal title to my ten acres; it only *purchased* the *use* of the ten acres based on a *promise* ("IOU") to some day actually *pay* $100,000 (gold or silver) for that land.

Likewise, because I used Rick's IOU to purchase the Indiana home, I never really owned it, I merely got to *use* it based on a *"promise* to pay" (Rick's IOU) until somebody actually redeemed the $100,000 IOU for real money. Same goes for the guys in Indian, California, and Hawaii. None of us ever *exchanged* legal titles to real property (real land for real money; real money for real house, etc.). Instead, all we did was *transfer* the *use* (not ownership) of the various properties from one fool to another based on nothing more tangible than a *promise* to pay (IOU). Rick got to *use* the land, I got to *use* the house, the other guys got to *use* the dry cleaning business and the pineapples. But although we were all pleased with our deals, none of us actually *owned* our "new" properties. That's why, ultimately, we all lost those properties.

Same thing seems true with Federal Reserve Notes (FRNs). Because they are *debt*-instruments (*promises* to pay, not payment) and because they were *loaned* into circulation, they remain the property of the bank that made the initial loan until the loan is re*paid* in *law-*

ful money (gold or silver coin). As debt-instruments, FRNs can be used to transfer *use* (equitable title) of property from one person to another (just like Rick's IOU), but they can't convey/ exchange that property's *legal* title. As a result, it appears that we merely *possess* (but do not own) everything we've *purchased* (not bought) with FRNs, checks, or credit cards. Our debt-based "money" thereby makes us poor and reduces us to the status of eternal sharecroppers. ("I o-o-owe my so-o-oul, to the Federal Reserve Store . . . .")

Government-granted privileges

However, our government bestowed a special privilege on the Federal Reserve System: they legislated FRNs to be "legal tender". Although the FRN has no more intrinsic value than Rick's IOU, thanks to the "legal tender" law, we never have to worry about finding a "greater fool" when we accept a worthless FRN.

See, every fool who accepted Rick's IOU had to gamble on whether he could find an even greater fool who'd also accept that IOU. (It's kinda like playing Old Maid.) But if he ran into a guy like the Hawaiian who couldn't find a greater fool (and therefore demanded Rick actually pay $100,000) the whole chain of transfers would collapse.

But with FRNs we needn't worry that some smart Hawaiian might refuse to accept our worthless pieces of paper. Because each FRN carries the legal notice "THIS NOTE IS LEGAL TENDER FOR ALL DEBTS PUBLIC AND PRIVATE," the Hawaiians *must* accept them—whether they want 'em or not. And so must you and I. The legal tender law has effectively created an endless supply of "greater fools." And we be d'ose fools—by law.

Think about it. By passing "legal tender" laws, our government has forced us to accept the status of "greater fool"—i.e., we *must* accept worthless pieces of paper in return for our tangible property. And if you think you're not a "greater fool" than the guy you got the FRN from, consider that, thanks to inflation, a FRN worth $1 in 1933 is worth less than five cents, today. On average, FRNs are losing about 1.5% of their value each year.

From a generational point of view, my grandfather traded a silver dollar for a $1 paper FRN in 1933, gave that FRN to my dad when it was worth $0.50 in 1965, who passed it off on to me in 1998 when it was only worth about $0.05. My grandfather was a fool to accept the $1 FRN in 1933, and my father was a greater fool to accept the $0.50 FRN in 1965, and I was an even greater fool to accept that same FRN in 1998 when it was worth just $0.05.

But am I embarrassed to be my family's greatest fool? Nah. Heck, I've got my own kids coming up, and by the time I pass my $0.05 FRN to them, it'll be worth only a fraction of a cent! Hah! They'll be even *greater fools* than me! And thanks to the legal tender laws, so will your kids, your grandchildren, etc.

Quite a legacy, hmm?

Unfortunately, the "greater fool" theory is ultimately a Ponzi scheme. That is, since each successive fool must be an increasingly "greater" fool, the magnitude of the foolishness eventually grows to

a point where even public school graduates recognize the madness and refuse to play. Once we run out of "greater" fools (as we must), the system must collapse.

My people perish . . . .

It's hardly surprising that when Congress passed the legal tender laws and made legal fools of us all, we also became educational fools. That is, so long as FRNs are "legal tender" and must be accepted, why should anyone study or understand money? What difference does it make if *you* understand gold or concepts like "tender," "legal tender," and "legal title" but I don't? So long as we are all forced to use just one form of "money," why should any of us bother to learn about other forms of "money" which we can't even use? So long as I have FRNs in my pocket, you must do business with me, and I can be as smugly dumb as I want. So long as legal tender laws stand, I don' need t' know nuttin' 'bout money 'cept how t' count it. In a sense, the legal tender laws not only try to guarantee an endless supply of greater fools (which is impossible), they also try to guarantee "my people will *not* perish for lack of knowledge." That's also a dangerous and biblically-impossible guarantee. We've been taught to bet our lives on our ignorance. Thanks to public education and welfare, ignorance still seems pretty blissful.

But wait. . . .

With debt-based FRNs, you can't "pay" your debts (read the notice on a FRN; it says nothing about "paying" your debts). Instead, FRNs can only "discharge" your debts—much like a Bankruptcy Court "discharges" the debts of a bankrupt person. "Discharged" debts aren't truly paid so much as "cancelled". In a sense, every time you "use" FRNs to "discharge" (not pay) your debts, you concede you are bankrupt and figuratively file for the government's protection from your creditors. What is that "protection"? By labeling FRNs as "legal tender," the government *forces* your creditors to accept intrinsically worthless debt-instruments to "discharge" legitimate debts.

As a result of the government's protection, even though you don't have any silver or gold coins (lawful money) and are therefore legally bankrupt, you still enjoy the "benefit" of participating in our economic system (purchase cars and homes) by "discharging" (not "paying") your debts with worthless FRNs which your creditors are obligated by law to accept. Thanks to FRNs and legal tender laws, even though you're legally bankrupt, you can live like a rich man. Thanks to legal tender and credit, in America, even the bums can live like kings. It's a lazy man's paradise, an ignoramuses' utopia.

This apparent idiocy continues because Article I, Section 10 of the Constitution declares in part that States shall not "make any Thing but gold or silver Coin *Tender* in *Pay*ment of Debts." But a "tender" is not a "legal tender". A "tender" is an *offer* to *pay* a debt that a creditor may freely choose to accept or reject. However, a "*legal* tender" is much different from "tender" in that it is *mandatory* and may not be refused.

For example, I can "tender" (offer) Rick's intrinsically worthless $100,000 IOU to purchase a house in Indiana; the current "owner" is

free accept or reject my offer. But if I offer "legal tender" FRNs (which are just as intrinsically worthless as Rick's IOU) for the house, the "owner" has no choice but to accept them.

But most importantly, debt-based "legal tender" can "purchase" only equitable title (use, possession) to a property—but can't "buy" legal title (ownership and control). So long as FRNs are "*legal* tender" and don't actually *pay* but merely "discharge" our debts, they don't violate the Constitution's prohibition against "paying" debts with any "tender" other than gold or silver coins.

Quantity vs. quality

Not one man in a thousand would believe it, but the *quality* of your money is more important than the quantity. If your "money" is debt-based FRNs, it constitutes a *loan* and legal title to whatever you think you're "buying" actually belongs to the entity that *loaned* the debt-based FRNs into circulation (the Federal Reserve System). You only "purchase" equitable title to property with FRNs until the loan is repaid in lawful money.

Since there is virtually no lawful money in circulation, it appears that you can't truly re-*pay* your debt to the bank (Federal Reserve System) that issued the credit (FRN). Since you can't *pay* your debts, you can't have legal title to "your" property. *Legal title to "your" property seemingly remains with the institution that loaned the FRNs into circulation—the Federal Reserve System.*

As a result, government (acting as an agent for the Federal Reserve System) can ticket you for failing to mow "your" lawn or jail you for driving "your" car without insurance. Why? Because they're not really "your" lawn or "your" car—they're the Federal Reserve's and/ or the government's. You merely get to "use" those properties much like renters "use" (but don't own) their homes. Thanks to FRNs and legal tender laws, it appears that the state/ Federal Reserve System may "own" virtually all the property you believe is "yours".

Without legal title, you have no legal rights to that property, you have no standing in law or access to courts of law (which are intended to determine *legal* rights). You have only equitable rights and access to courts of equity wherein you have no legal rights and the judge can slap you around however he likes. No matter how much money you have, all this flows from the *quality* of your money.

Remember the old saying about "A fool and his money"? Today, thanks to the legal tender laws, that saying should be updated to "A fool and his law (or perhaps a fool and his legal rights) are soon parted."

Are we fools? Yes. We are "statutory fools"—fools-in-law.

Why?

Because our own government betrayed our trust and passed legal tender laws which force us to be "greater fools" who merrily accept worthless paper as if it were lawful money. By playing the fool, we've lost most of our legal rights and our access to courts of law. Like Esau, we've traded our inheritance for bowls of pottage.

FRN$ Make $ham Tru$t$?

by Alfred Adask

I like to explore concepts near (beyond?) the "cutting edge" (lunatic fringe?) of law and politics. Out in that esoteric netherworld, you can toy with ideas and implications without regard for commonly accepted "facts".

However, once untethered from factual reality, it's hard to know for sure whether my ideas and observations are true, false, some of both or flat-out delusional.

The following article is a rambling exploration of a personal hypothesis concerning the legal consequences that may attach to using Federal Reserve Notes (legal tender) rather than lawful money. It presents implications concerning the nature of money, the ownership of automobiles, and the validity of America's burgeoning private trust industry are substantial.

Although the article repeats information presented elsewhere in this book, it also offers new insight that I, at least, find fascinating. As usual, the article is long on speculation and short on facts.

Take every word with salt.

According to *Bouvier's Law Dictionary* (1856 A.D.), all rights flow from title. For example, my "right" to drive or sell my car, is based on my "title" to that car. So long as I have valid title, I have the right to drive or sell that car.

But since I lack title to your car, I have no right to drive it. If I attempt to drive or sell a car for which I have no title, I can be charged with a crime. The same is true for houses, computers or any other form of property. Rights flow from title.

Conversely, if you have no title, you have no rights.

The idea that rights flow from title is an important and, for most Americans, a surprising concept. For example, most of us believe that we go to a Ford dealer to buy a car when, in fact, we are actually buying the *title* to the particular car. This distinction may seem irrelevant, but it's vital. Legally, that 2,000-pound car is virtually insignificant. It's the title that has value. When you "buy" a property, you're not really "buying" the land, the car, the house—you're "buying" the title.

Anyone who doubts that rights flow from title and the real object of sales is the *title* rather than the tangible product, need only try "buying" a new Lincoln Town Car from some shifty stranger on the street for $500. I guarantee that if you don't get a legitimate title to that Lincoln from someone who actually had a legitimate title to sell, you've got nothing. When the police catch up with you, you'll certainly loose possession of the Lincoln and you'll have to do some fancy talking to avoid being charged with receiving stolen property (property without a legitimate title).

Once you recognize that your right to drive the Lincoln flows from the *title* to the car, you'll begin to see that the critical element of every sale is not the physical property, but the *title* to that property. In the final analysis, ownership of the Lincoln Town Car is nothing. Ownership of the *title* to that car is everything.

That being so, next time you purchase a car, you might want to spend less time relishing the new car smell and all the bells and whistles on the dashboard, and instead pay close attention to the real item of value: the title.[1]

Ancient principle

The relationship between title and rights is enshrined in the ancient principle that the person who owns the money also owns whatever that money is used to buy. For example, if I give an employee $100 and send him to town to buy some groceries, who owns the groceries? Me or my employee? In fact, even if the receipt carries the employee's name, if I owned the money, the groceries are legally mine. (But did I really own that "money"?)

That same principle applies to the purchase of automobiles with bank loans. Because the bank "owns" the "money" (actually, credit) you borrowed to purchase the car, the bank also owns title to the car—at least, until you repay the loan used to purchase the automobile. (But did the bank really own the money?)

At first glance, most people would say the relation between title and rights seems fairly clear. But that relationship is actually quite subtle and confusing since every property contains *two* titles: *legal* title (ownership and control) and *equitable* title or interest (mere use or possession). While most of us understand whether or not we have a "title" to a particular piece of property, few of us know to ask what *kind* of title we have. Determining the kind of title is critical since our rights concerning a particular property vary hugely depending on whether we have: 1) legal title; or 2) equitable title; or 3) both titles to that particular property.

The difference between legal and equitable title can be superficially illustrated by comparing the rights of a father who presumably "owns" his car to the rights of his teenage son who wants to "use" Dad's car.

If the father has *legal* title, then he *owns* the car and can do whatever he wants with it, whenever he wants. While he may give his son "equitable title" to *use* the car for his Friday night dates, that equitable title is always subject to Dad's absolute control and revocation. The person holding legal title always holds superior, controlling rights; the person holding equitable title has inferior and conditional rights. Dad can regulate or stop Junior from using Dad's car anytime Dad wants, for any reason Dad thinks is appropriate—and Junior has virtually no recourse.

Figuratively speaking, the guy with legal title is always the "man"; the guy with equitable title is always the "boy".

The man who owns the money . . .

If you read the text on the Federal Reserve Notes (FRNs) in your wallet, you'll see, "THIS NOTE IS LEGAL TENDER FOR ALL DEBTS, PUBLIC AND PRIVATE." Some people still regard this statement as an assurance that our paper "money" is as "good as gold". They couldn't be more mistaken.

I'm sure that pre-1933 gold coins were lawful "tender" with which we could *buy* legal title to property. I'm convinced that "*legal* tender" (a kind of legal fiction that's enforced by law) is a disability since the person using this inferior form of currency can only "purchase" equitable title to property. (The distinction between "buy" and "purchase" is enormous. You "buy" legal title, but you can only "purchase" equitable title.)

The "legal tender" statement on every FRN is the government/ Federal Reserve System's way of providing *legal notice* (just like the warnings on packages of cigarettes) that FRNs are *not* as "good as gold" and should not be used unless you're willing to accept the "legal tender" disability.

FRNs are an inferior form of currency (not true money) because the Federal Reserve System *loans* FRNs into circulation. Being *loaned* into circulation, FRNs are similar to cars purchased with bank loans. I.e., so long as the money used to purchase the car belongs to the bank (until you completely repay the loan), title to the car remains with the bank. That's why the bank can repossess your car if you fall behind in your payments without even taking you to court. Until the originally bank loan is completely repaid, you have no unaliened title to "your" car and thus no right to resist a taking by the bank that holds superior title. The bank can repossess your car just like a Daddy can repossess a bicycle from his misbehaving child.

Similarly, until the original loan that placed the FRNs into circulation is repaid, legal title to the physical pieces of green paper you carry in your wallet remains with Federal Reserve System. That's why police can seize ("repossess") any sum of cash over $10,000 without going to court. In truth, the person holding all that cash has

only equitable title to that $10,000 and thus no legal right to resist the government's seizure. Even though they may have honestly earned the $10,000, they don't own legal title to that money—any more than you own legal title to the FRNs in your wallet.

Thus, you and I may get to "use" (have equitable title to) the FRNs in our wallets (just as we can "use" the car while we're still making payments on the bank loan), but legal title to those FRNs remains with the Federal Reserve System (just as title to your car remains with the bank).

Bizarre implications

If this conjectural chain is valid, we're led to the seemingly bizarre implication that whenever we "purchase" property with FRNs, legal title to that property goes to the Federal Reserve System. (Remember? The party that owns the money, owns whatever that money is used to buy). As a result, by making a purchase with FRNs, we may only receive the inferior *equitable* title (possession and use) to the property.

If so, legal title to everything we've ever "purchased" with FRNs (our homes, cars, boats, clothes, etc.) may belong to the Federal Reserve System. And although we get to "use" all that property and presume it to be our own, we have no more *legal* rights to "our" property than the teenage boy has to his father's car. Yes, the boy's equitable right to use that car will stand up against all other boys; no one else can drive his Dad's car. However, in a contest of right between the boy and his Dad, the boy has no standing whatever. By virtue of his superior title, Dad wins every time.

Legal exchange vs. equitable transfer

True "money" (generally, gold and silver) is known as a "medium of *exchange*".

The term "exchange" is significant, since any transaction including *legal* title is described as an "exchange" while transactions involving only *equitable* title are called "transfers". I.e., you "exchange" *legal* title to property. You can also simultaneously "exchange" legal *and* equitable title to property. But when the only title that's changing hands between the seller and purchaser is "equitable," the transaction is a "transfer".

To broadly (and imprecisely) illustrate the difference between exchange and transfer of title, suppose a father owns a car and has two teenage sons. One son wants to use the car on Friday night, the other wants to use the car on Saturday night.

The father/owner agrees. In a sense, the father/owner grants equitable title (right to *use* the car) to his first son for Friday night and then "transfers" that equitable title (right to *use* the car) to his second son for Saturday night.

Although equitable title to "use" the car was "transferred" from one brother to the other, *legal* title was never "exchanged" since it remained at all times with the father/owner. No exchange of legal title could occur unless the father actually sold the car to one of his

sons—thereby giving that son the right of absolute ownership without any of Dad's superior control and without any obligation to "share" use of his car with his brother.

In an actual "exchange" of *legal* titles, the parties are called the "buyer" and the "seller". In a transfer of equitable title, the parties are identified as the "transferor" (seller) and "transferee" (purchaser).

In a transfer there may be no "buyer" since that term (and also "buy") normally signals the "exchange" of a *legal* title. Instead, in a transfer of equitable title there is a "seller" and a "*purchaser*"—one who merely receives *equitable* title to property. Note that while the terms "buy" and "buyer" imply the *exchange* of *legal* titles to property, "purchase" indicates only the "transfer" of a property's *equitable* title (and thus only the right to *use*—not truly own and control—the property).

If the difference between buying and purchasing seems unlikely, read your credit card applications, statements and terms. Every credit card transaction is a "purchase"—you "buy" nothing with credit cards.

Certificates of (which?) title

The distinction between legal exchanges and equitable purchases is illuminated by Article 6687-1(24)(a) of Vernon's Texas Civil Statutes (1994). That article declares that an automobile's Certificate of Title must include:

> "The name and address of the *purchaser* and seller at the *first* sale or *transferee* and *transferor* at any *subsequent* sale." [emph. add.]

The "first sale" refers to the transaction between the new car's manufacturer (seller) and the first person to "purchase"—not "buy"—the vehicle. All subsequent "sales" of the (now) "used car" will be between "transferor" and "transferee".

So, suppose you purchase a new car in Texas with FRNs. Note that the first transaction listed on the Certificate of Title must identify the "seller" (the car's manufacturer who by virtue of "creating" the car has both legal and equitable title to the vehicle) and a "*purchaser*" (that's you—the guy who thinks he's *buying* legal title and true ownership of the car, but is actually only *purchasing* equitable title and use of the car).

Because you are identified as the car's "purchaser," you only received equitable title to the car in the first place and therefore can only "sell" *equitable* title in "subsequent sales". Thus, *all* subsequent sales are actually designated as "transfers" of equitable title between "transferors" to "transferees".

But why did the Texas statute distinguish between the car's original "purchaser" and all subsequent "transferees" and "transferors"? If all of these parties only receive equitable title to the car, why not call them all by the same name?

I suspect the answer involves the identity of the party that actually winds up with *legal* title to "your" car—the corporate STATE OF TEXAS.

By designating you as the "purchaser" of the new car, the STATE is giving you *notice* that by virtue of securing a Certificate of Title, you've voluntarily accepted equitable title (use) of "your" car—not actual ownership (legal title). The STATE of course, depends on your ignorance (concerning the significance of titles and the meaning of terms like "purchase") to conceal the fact that the STATE receives legal title to your car and you get squat (equitable title, mere "use" of the car). Since ignorance is no excuse in the eyes of the law, your assent to merely *purchase* "your" car eliminates or reduces any claim that you were defrauded of *legal* title. I.e., by agreeing to be the "purchaser," you voluntarily agreed to receive only equitable title.

Donations?

OK, if the car manufacturer sells both equitable and legal title to his car, how did the STATE get the legal title? Since the STATE didn't pay for the legal title, I suspect that the legal title was probably *donated* to the corporate state.

The concept of "donation" may be important since no one but the Federal Reserve System (which seemingly owns legal title to all FRNs) can "buy" legal title to property with FRNs. Thus, it may be impossible for you, me, or even the government to trade even a trillion dollars (FRNs) for *legal* title to a bicycle. The only way we could get legal title to someone else's property is by: 1) *buying* (not purchasing) the property with lawful money (gold or silver); or 2) if the actual owner *donates* that property to us without taking any FRNs in return.

Again, remember the ancient principle: the man who owns legal title to the money, owns legal title to whatever that money buys. If that principle still applies, then since legal title to FRNs belongs to the Federal Reserve System, the first time we trade a single FRN for property, legal title to that property may go to the Federal Reserve System.

Title, title who's got the title?

To understand how the STATE got legal title to "your" car, we need to discover who donated that title to the STATE.

By virtue of the act of creating (manufacturing) the car, the automobile manufacturer had the original title—the Manufacturer's Statement of Origin ("MSO"). Therefore an agreement between the manufacturer and corporate STATE might explain and legalize the donation. However, I doubt that a direct donation from the manufacturer could be achieved without defrauding the first alleged "buyer" of the car who naturally assumed "tax, title and license" meant getting "tax, *legal* title and license".

In other words, if I "buy" a new car, like most other Americans, I expect to receive legal title to the vehicle from the manufacturer. If the manufacturer had entered into some sneaky deal with the STATE to ostensibly sell me the car, but in fact, give legal title to the STATE, I think I (and millions of other new-car buyers) would have grounds to sue the auto manufacturers into oblivion.

OK, how 'bout the local auto dealer? He's licensed by the STATE, so could he be working as a "secret agent" whose duty was to defraud you by sending legal title to "your" car to the STATE?

Again, I don't think so. The legal liability for all auto dealers (and ultimately the manufacturers) would be enormous if the public could sue them for fraud.

How 'bout your friendly, local banker who financed the loan to purchase the car? That's a real possibility that deserves further investigation. However, for now it still strikes me as unlikely given the potential for legal liability. Besides, some cars are purchased for cash (without bank involvement) and legal title still accrues to the STATE.

So, if the manufacturer, dealer and bank didn't deprive the new-car buyer of legal title—who's left who might've done so?

There's only one party left in the transaction: the new-car purchaser.

Therefore, I suspect the legal title to the car was "donated" to the STATE by the new-car purchaser when he paid the dealer an additional fee for "tax, title and license" to process his paper work for him. By doing so, the new-car purchaser unwittingly—but voluntarily—sent legal title (MSO) to "his" car to the STATE for "registration" of property donated into a STATE-administered trust. If so, there'd be no fraud since the new "owner" voluntarily paid for and sent (granted, donated) what was (briefly) *his* legal title to the STATE.

Again, recall that Article 6687-1(24)(a) of Vernon's Texas Civil Statutes (1994) declares that an automobile's Certificate of Title must include:

> "The name and address of the *purchaser* and seller at the *first* sale or *transferee* and *transferor* at any *subsequent* sale." [emph. add.]

Note that this statute offers no proviso in this for issuing a Certificate of Title to a "buyer"—only to purchasers. This implies that, by definition, a "buyer" (one who receives and keeps both legal and equitable titles) can't get a Certificate of Title. Conversely, it also implies that anyone who receives a Certificate of Title is—by definition—not the car's true owner. I.e, the Certificate of Title doesn't prove you own legal title to "your" car, it proves you don't.

In STATE we trust

Some might say, "Of course, that donation of title was fraudulent—the 'buyer' did not receive 'full disclosure' as required in all contracts."

But the relationship with the STATE is not contractual. It's a *trust* relationship, and trusts don't require full disclosure. For example, I can create a trust that names my six-year old daughter as beneficiary without ever telling my daughter one word. The same is true for adults; full disclosure is not required in trust relationships. Instead, each person is expected to recognize his role in a trust by the *relationships* that exist between himself and other parties to the trust—

even when those relationships have not been expressed in writing or even orally.

It is therefore presumed that when you grant/donate the legal title to "your" car to the STATE, that you know what you're doing and understand the legal implications. So far as I can tell, the legal implications are something like this: As the new-car purchaser, you grant legal title to "your" car to the STATE for the STATE to hold in trust. The STATE then acts as trustee and you accept the role of beneficiary. You (beneficiary) get to use the car; the STATE-trustee administers the car's operation to ensure that you don't speed, drive without a drivers license or working tail light.

As beneficiary, you have no legal title to the car and thus no legal rights to operate the car as you might like. More importantly, as beneficiary, you have no standing to invoke a court of law over issues concerning "your" car. The reason is that the sole purpose of a court of law is to determine legal rights. If you have no legal title, you have no legal rights and thus there's nothing for a court of law to decide.

Instead, because you merely hold equitable title, all cases involving "your" car will be heard in a court of equity where the judge rules strictly according to his "conscience" and is not bound by law. Result? The judge (who works for the STATE and is probably a co-trustee with the police or other government officials) will in virtually every instance find his "conscience" guiding him to rule in favor of his fellow STATE-trustees and against any purchaser-beneficiary.

Once legal title is "donated," the STATE keeps the MSO (legal title) "in trust" and returns a "Certificate of Title" back to the proud new "owner". That "Certificate" is not the legal title. It's merely officially-recognized "evidence" that "certifies" that a legal title exists. The proud new "owner" doesn't understand that his "Certificate of Title" is not a legal title (MSO and right of exclusive ownership), but rather an equitable title (mere right of use). By unwittingly donating his MSO to the state, the new owner has reduced himself to a status similar to the boy using his daddy's car. (Better toe the line, sonny . . . if you know what's good for you.)

A couple years later, the ostensible "owner" of the car may want to sell his "used" car. When he does, what's he have to sell? Legal title? Nope. That's been donated and remains with the state. Typically, the would-be "owner" retains only the equitable "Certificate of Title" (right to "use") and presumably, that's all he can sell.

However, even if he had the legal title, if the next would-be "buyer" has only FRNs to pay for the car, he couldn't "buy" the legal title even if it were available for sale. Why? Because it appears that FRNs can only transfer equitable title between the immediate parties (seller and purchaser) to a transaction. Legal title defaults to the "man who owns (legal title) to the money"—presumably the Federal Reserve System.

Hi-Yo Silver!

In late 1999, I heard stories which I know to be true of several individuals in Oregon and Washington who bought used cars and

paid at least part of the transaction with lawful money (pre-1933 silver coins). Some used silver dollars. Some used silver dimes. The bill of sale for the used car reflected that payment in lawful money ($) rather than mere FRNs ($) (that distinction will be explained shortly).

For example, the bill of sale to the car might read something like, "Sold to John Doe for $21 in silver and other good and valuable considerations." The $ signified lawful money and the "other good or valuable considerations" included whatever unspecified amount of currency was paid in FRNs.

When these individuals were subsequently ticketed for driving their without seatbelts, insurance or license plates, they produced their bills of sale in court and, reportedly, the judge instantly dismissed their cases. The implication was that, because the individuals had actually bought (not purchased) their cars with at least some lawful money (pre-1933 silver coins), they had either secured legal title to the vehicle or at least laid the foundation to demand that legal title in a court of law. The judge, sitting in equity, promptly dismissed the cases.

Most patriots believe the judge dismissed the cases because the payment in silver coins proved the new "owners" had legal title to the autos. That may be. Alternatively, he may have dismissed the case simply because those silver coins simply forced the case to be heard in law rather than equity. This wouldn't necessarily mean the new owners actually had legal title to their cars—but it might mean that by virtue of using lawful money, the issue of who holds legal title would have to heard and publicly decided in a court of law. In other words, by using silver coins to pay for the car, the new "owners" may not have received legal title, but they may have received standing to determine who really owned legal title to "their" cars. It's possible that the judges dismissed the cases not because the defendants had legal title, but rather because the judge 1) didn't want to hear the case at law; and/or 2) didn't want to risk having evidence produced in court that publicly admitted the state actually owns legal title to virtually everyone's car.

Initially, reports of using silver coins to seemingly secure legal title stirred a lot of excitement. However, after a brief flurry of success in 1999 and 2000, I've heard nothing further. That's a good indication that the government quickly found a way to defeat or frustrate the silver-coin strategy. Perhaps they found another basis (other than purchase price in FRNs) on which to base their presumption that the new "owners" only hold equitable (not legal) title.

Even so, the idea that a couple of judges might've been sufficiently impressed by the silver-coin/lawful-money strategy to dismiss several cases tends to validate the belief that there are great powers and implications in the *kind* of currency (lawful money or legal tender) we use.

$ vs. $

Until 1933, all lawful money (gold, silver) of the United States was designated by a capital S with *two*, superimposed vertical lines: $.

This designation was originally a capital S with a superimposed capital U which stood for "U.S." Over time, the bottom curve of the "U" disappeared and convention reduced the "U" to two vertical lines: $.

Since 1933, our FRNs have been designated with a capital S and a *single* vertical line ($)—presumably, to distinguish this "legal tender" from lawful money ($).

I find it helpful to remember that lawful money is designated with *two* vertical lines ($) and will convey *two* kinds of title (legal and equitable) to buyers while FRNs are designated with just *one* vertical line ($) and will transfer only *one* kind of title (equitable) to the purchaser.

More importantly, every time you designate the price of a transaction in $ (legal tender), you implicitly concede the transaction took place with money owned by the Federal Reserve System. Thus, if the price on your receipts and bills of sale are designated in "$" (rather than "$"), they don't prove that *you* own legal title to that property. Instead, they imply that the Federal Reserve System (which owned legal title to the currency you used in the transaction) owns legal title to "your" property. By accepting a receipt with a price denominated in $ FRNs, you provide evidence that you "knowingly" agreed to only purchase equitable title only.

Why is it presumed you "knew"? Because every FRN you used to make the purchase carried the following notice: "THIS NOTE IS LEGAL TENDER FOR ALL DEBTS, PUBLIC AND PRIVATE". Therefore, you should've known that FRNs are legal tender which only conveys equitable title to the purchaser. Ignorance is no excuse in the eyes of the law. You were given notice. You are presumed to have known.

One fascinating implication of this conjecture is that the receipts government advises you to keep to "prove ownership" of "your" property don't actually prove you *do* own "your" property—they prove you *don't*.

To illustrate, suppose the IRS bursts into your office and starts to seize your computers and you shout indignantly, "Hey! You can't take those computers—they're mine!"

OK. The IRS agent pauses and asks, "Do you have a receipt proving ownership?" And you say, "I sure do, you S.O.B.!" and run off to find the receipt.

You return with the receipt. The IRS agent looks it over, and then continues taking "your" computer. Why? Maybe because your receipt is denominated in legal tender (FRNs) with a "$" sign rather than the "$" for lawful money. By producing a receipt denominated in legal tender, you've just proved that you only hold equitable title to "your" computer (that's the only kind of title you can purchase with FRNs). Thus, you have no standing in law to resist the seizure by anyone acting as a trustee for the Federal Reserve System trust that holds legal title to "your" computer. By providing the receipt, you didn't prove you owned the computer, you proved you did not. Therefore, the seizure continued.

If this hypothetical were true, you might be better off having no receipt whatever than a receipt denominated in FRNs ($). With no receipt, there might at least be an issue of ownership. In the end, the IRS would almost certainly be able to cross-check the computer's

serial number and/or bar code to a registry of property owned by the FR System trust. But doing so might at least slow the seizure.

(Interesting possibility, no?)

Certificates of title

Similarly, most automobile title applications ask you list the price of the car for "tax purposes". A lot of people cheat on the price to reduce the tax. But the magnitude of price may be less important than its denomination in lawful money ($) or FRNs ($). It's possible that by denominating the value of your car in FRNs, you implicitly concede the Federal Reserve System and/or gov-co owns legal title to "your" vehicle. This raises the possibility that denominating the price of a car in lawful money ($) instead of legal tender/FRNs ($) might help secure legal title to the vehicle.

In any case, once it's clear that a car (and/or car title) was purchased with FRNs rather than bought with lawful money, we know that the purchaser only had equitable title in those FRNs to give and therefore, could only receive equitable title to whatever property he purchased. We can debate who has legal title to "your" car, but if price on the bill of sale and title documentation is denominated in FRNs (legal tender; $), then the one certainty appears to be that *you* don't have legal title.

I believe that the STATE gets legal title, actual ownership and absolute control of "your" car. On the other hand, your Certificate of Title to "your" car is merely equitable and analogous to that of the teenage boy using his daddy's car for a date. If daddy says you must wear your seat belt, you must wear it or lose the equitable right to use "daddy's" car. Likewise, if the STATE-daddy says you can't drive over 65 m.p.h. or must keep your taillights in repair, then you must do so or risk being punished for not properly operating or maintaining the STATE-daddy's car.

If so, virtually all traffic regulations may be based on the fact that you don't actually own *legal* title to "your" car—the STATE does since you used FRNs to merely purchase the car's equitable title.

If use of FRNs affects legal title for automobiles, the same principle should apply for houses, buildings, bicycles, computers and all other forms of tangible property. In fact, legal title to everything you purchase with FRNs would instantly accrue to the Federal Reserve System (and perhaps later, to the corporate STATE if the Fed donated that legal title). If so, you and I have been reduced to the status of children, serfs or slaves by use of FRNs.

This contention seems incredible, but I can point to a couple of supporting anecdotes:

Grand theft or unauthorized use?

First, historically, if I stole your car and was caught, I'd probably be charged with "grand theft auto". However, today, I'd probably be charged with "unauthorized *use* of a motor vehicle". I believe the reason government changed these charges from "theft" to "unauthorized use" is that you can't steal something from someone who

doesn't own it. That is, if you don't have legal title (ownership) to "your" car but instead have only equitable title (right of use), I can't truly "steal" (take legal ownership) away from you. I can only deprive you of your right to "use" the car. Hence, I'm charged with "unauthorized *use*" rather than "grand theft".

However, I might be charged with "theft" if I moved the car outside the jurisdiction of the true owner (the State of Texas). But so long as I didn't cross a Texas state line, I might only be subject to charges of "unauthorized use" (not interstate auto "theft").

Credit card use

Second, in 1998, a credit card processing agent signed me up to accept credit cards orders for books and subscriptions to my publications. During that sign-up process, the agent made a surprising offhand remark: "All credit card orders are processed through the Federal Reserve."

I didn't question her remark but she seemed to mean that every time someone uses a Master Card, their order doesn't merely go through the Master Card corporate headquarters, it is also monitored by the Federal Reserve System. Likewise, every time someone uses a Visa, American Express, Diner's Club or Shell credit card, their order will be processed by one of the various credit card company corporate headquarters, but it's always monitored by the Federal Reserve System.

Of course, the agent might've been mistaken. Her remark might've been entirely false. But if it was, why would anyone even imagine that credit card processing is always monitored by the Federal Reserve System? The statement struck me as such an improbable lie, I believed it must be true.

If so, why would the Federal Reserve want to monitor *every* credit card transaction in the USA? That's got to be a huge data-crunching activity involving an enormous system of computers and considerable costs.

There may be several reasons, but only one strikes me as likely:

The Federal Reserve System tracks credit card usage to create a register of all property that's been purchased with "its" FRNs. For example, if I purchase a computer with a Master Card, I'm actually using the Federal Reserve's legal tender to do so. If my hypothesis concerning the relationship between legal tender (FRNs) and divided title is correct, then whenever I use a Master Card to make the purchase, I get the equitable title to "my" computer but the Federal Reserve gets the legal title to that computer.

I'm guessing that my credit card transaction at the computer store includes my name, my address, the amount of legal tender I spent, and probably a bar code or serial number that uniquely identifies the specific computer I purchased. Yes, I get to take "my" computer home and delight in all its bells and whistles. But despite the fact that I'm entitled to exclusive *use* of "my" computer, I don't actually *own* it. Instead, legal title may be with the Federal Reserve System.

Imagine the implications:

Could government (acting as agents for the Federal Reserve System) seize "my" computer whenever I used it in a way that violated the trust indenture of the FR System? Yes. If I hook up on the internet, could the FR System (or some agent acting as a trustee for the FR System trust) lawfully bug "my" computer to make sure I wasn't violating FR System rules? Probably. There are other possible examples of how the Federal Reserve System's legal title to "my" computer might allow government "trustees" to take, regulate or modify "my" computer. But, again, note that this entire scenario of possible abuse flows from my unwitting status as a *beneficiary* who holds only equitable (not legal) title to property.

In essence, I can't very well accuse the government with stealing "my" computer if, in fact, I don't own it.

Sure, my equitable title gives me an exclusive equitable right to possess "my" computer to the exclusion of all other *beneficiaries*. But if the government-trustee (holder of the legal title) decides to "repossess" that computer, I have no legal title to that computer and thus, no legal right to resist.

Shams or scams?

For several centuries, private trusts have been recognized as a device to shield one's wealth or property from taxation, confiscation and litigation. Nevertheless, 98% of the American people know virtually nothing about trust fundamentals.

As a result, a cottage industry has sprung up in which individuals who claim to be knowledgable about trusts sell "trust packages" to folks who want to protect their property from government seizure or private legal liability. Although the "going rate" for selling trust packages ranges between $1,000 and $3,000, I know of one organization and one individual who've sold trust packages for $10,000 and even $25,000 each.

In short, you can pay a lot of money to establish a trust.

However, there is a serious question as to whether modern trusts are legitimate if the trust property was purchased with FRNs. Depending on the answer, virtually all modern trusts are shams, or perhaps even scams.

To create a trust, the trust "grantor" must first own complete or *perfect* title to a property. Then, he must donate that property (perhaps a house) into a trust. Once a property is placed into a trust, the perfect or complete title to that property is divided into its two sub-components: legal and equitable titles.

This division of title to trust property is the essential feature of all trusts. If the perfect title is not divided into its two sub-components, there is no trust. Likewise, if the two sub-component titles are reunited in one person, the trust is automatically dissolved.

Once the property (in this case, a house) is donated into the trust, the grantor appoints one or more trustees to hold *legal* title to house and administer that trust property for the sake of the beneficiaries. The grantor then designates one or more beneficiaries (perhaps his children) to hold *equitable* title to the house and

thereby enjoy the right of "using" (living in) the house. The complete or perfect title is thereby divided into its legal and equitable subtitles.

There are various legal advantages (like limited liability) to this trust arrangement. But note well that the essence of all trusts is the *division* of perfect title into its *two* sub-titles: legal and equitable. The trustees get *legal* title—the right of control over trust property—while the beneficiaries get *equitable* title—the right to use trust property.

This raises a curious question: If—through use of FRNs—you don't own legal title to (virtually) any of your property, how can you create a legitimate trust?

Remember that in order to create a lawful trust the complete or lawful title to trust property must be divided into its legal and equitable subcomponents. That means the grantor must first own *both* legal and equitable titles to any property before he can donate that property into a trust. But if a grantor purchased property with FRNs, it appears that he may have received only the equitable (but not "legal") title to that property. So, without owning legal title in the first place (as part of the perfect title to a particular property), how can anyone legally "grant" (donate) that property into a legitimate trust?

Do you see my point? To create a lawful trust and divide title to property, the grantor must first hold *both* legal and equitable titles that will later be divided. Without first acquiring legal title, it appears technically impossible to create a lawful trust.

Implication? Virtually all modern trusts may be shams if the alleged "grantor" *purchased* the trust property with FRNs. If the grantor didn't actually own legal title to the property he donated into the would-be "trust," the trust could not receive *both* legal and equitable titles and then *separate them* between the trustee and beneficiary. Thus, if the grantor paid for property with FRNs and therefore "owned" only equitable title to "his" property, he couldn't create a true trust and any attempt to do so would be a sham.

If this speculation were valid, those of you who rely on trusts to protect your property may be trusting in a faulty shield. This possibility is born out by IRS raids which routinely seize "trust" property without legal consequence. I suspect the IRS "cracks" those would-be "trusts" precisely because they were fraudulent from the beginning since the grantor never owned legal title to the property he donated into the "trust" for the trustees to administer. What passes for trusts in this country (including those that are sold for some very high dollars) may be nothing more than fancy equitable titles.

If so, it should be possible to attack seemingly impregnable trusts by simply presenting evidence in court that the original grantor used FRNs to purchase whatever property he "donated" into the trust. Thus, his alleged trust (which must hold *both* legal and equitable titles) might be a sham that is easily "cracked" in court for lack of legal title and thereby expose the equitable title to trust property to your law suit.

And what about the folks selling trust packages for $1,500, $10,000 or $25,000? Whether they know it or not, they may be sell-

ing illusions, false hopes and snake oil—but not legitimate trusts that can withstand an intelligent courtroom challenge.

Good for the gander

Broadly speaking, if *legal* rights flow from *legal* title, the use of FRNs may deprive us of legal title and thus void our claims to our presumed legal rights. However, if using FRNs compromises our claim to legal title and legal rights, it should also compromise any similar claim by government.

For example, determination of who or what holds actual legal title to land may play an important role in determining the government's *territorial* jurisdiction. Suppose the Federal government *purchased* a parcel of land from a state or private owner to construct a Federal building. Unless legal title to that land is subsequently *donated* to the Federal government by the Federal Reserve System, it appears that by making their purchase with FRNs, the national government might only have equitable title to that land and thus only an "equitable jurisdiction" over offenses committed on that property. Thus, it's theoretically possible that virtually all Federal territory *purchased* with FRNs might only include equitable (not legal) title and therefore include only jurisdiction in equity, but not at law (which always reflects the presence of *legal* title in a court case). Similarly, most modern state and municipal territorial jurisdictions might also be only equitable.

If that were true, then police actions on those government-purchased properties might only be authorized in equity, but not at law. So if you could provide evidence that a particular police action conducted in equity actually violated unalienable Rights or property that you held at law, then you might be able to . . . . hmph.

Wheels within wheels. Mysteries shrouded in enigmas and cloaked with FRNs. The whole argument underlying this article is speculative, complex, confusing—and quite possibly wrong.

Nonetheless, the implications and insights are fascinating and point us toward a better understanding of the relationships between our money, currency, purchases, property and rights.

[1]Recognizing that the title to property is more important than the property itself, a peculiar notion crosses my mind. When you buy a new car, the dealer might list the price at "$19,995 + TTL". The "TTL," of course, means "Tax, Title and License". That's an extra. For example, let's suppose that the TTL on the $19,995 car was $1,000.

What would happen if you paid the $19,995 in FRNs for the car, but paid the $1,000 TTL in lawful silver money? At the rate of five FRNs for one silver dollar, paying for the TTL in silver rather than FRNs would be expensive. But could you get legal title to the car if you paid the TTL fee for processing the Title in lawful silver coin?

The Art of War

"The one aim of these financiers is world control by the creation of inextinguishable debts."

Henry Ford

"The best way to destroy the capitalist system is to debauch the currency."

Vladimir Ilyich Ulyanov,
commonly referred to as "Lenin"

"I believe that if the people of this nation fully understood what Congress has done to them over the past 49 years, they would move on Washington, they would not wait for an election . . . . It adds up to a preconceived plan to destroy the economic and social independence of the United States."

Senator George W. Malone,
speaking before Congress about the
Federal Reserve Bank (1962)

Title Wars

by Hon. E.R. Ridgely, (Dem. Kansas)

This article is not a sound-bite, it's looong. It's even a little confusing and difficult to follow since it's based on a great deal of personal conjecture concerning money and legal title to property. Nevertheless, this article has some fascinating implications.

I recently discovered a speech by Representative E. R. Ridgely (Democrat, Kansas) given to the U.S. House of Representatives on May 31, 1900. I stumbled on Rep. Ridgely's speech in a 1,113-page book entitled "Bills and Debates in Congress Relating to Trusts," published by the Government Printing Office in 1903 (Senate Document 147 of the 57th Congress). I found his speech remarkable since it conveyed some fundamental but surprising insights into economics of the real world (as opposed to the classroom).

To understand Rep. Ridgely's speech, it's helpful to understand his political era. In the late 1800s, the "robber barons" were concentrating their money into trusts and "combinations" of sufficient financial power to establish monopolies, manipulate prices, nullify free market competition, corrupt the media, dominate State and National legislatures and even threaten the constitutional structure of our Republic.

The problem posed by this concentration of wealth was perceived in 1865 (just after the Civil War) when President Lincoln warned:

> "I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. As a result of the war, *corporations* have been enthroned, and an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its

> reign upon the prejudices of the people until all the wealth is aggregated into a few hands and the Republic is destroyed. I feel at this moment more anxiety for the safety of the country than ever before, even in the midst of war." *("Bills and Debates,"* page 817, supra) [Emph. add.]

Thirty-five years later (1900), Rep. Ridgely agreed and advocated the public ownership of factories, railroads, etc.—communism. But he did so because he believed that trusts and combinations of private wealth had reduced the average worker's wages by *half* due to the "tribute" the workers paid in the form of higher prices imposed by trust monopolies. His leftist remedy for a 50% confiscation in 1900 was naïve, but today, our government (local, state, and national) imposes a collective tax burden of 55% (just over half) on the average worker's income. Today, instead of being systematically impoverished by "robber barons" of Rep. Ridgely's era, we are systematically impoverished by our own "robber" government. Has anything really changed except our adversary's disguise?

The following quotes are from Representative Ridgely. The italicized text within Rep. Ridgely's quotes are my highlights. The text surrounding Rep. Ridgely's quotes is my commentary.

Rep. Ridgely begins:

Centralization vs. Distribution

> "It is an indisputable fact that no person can actually produce more than a fraction of a million dollars in value during a lifetime. Then it must follow that if anyone is permitted to be the lawful owner of property amounting to millions of dollars in value, such owner has appropriated the *title* to the products of another's labor without giving an *equivalent in value* therefor." [Emph. add.]

Inflation has increased the magnitude of legitimate lifetime production to several million dollars. Nevertheless, Ridgely remains generally correct that all great fortunes are based great exploitation. For me (or Bill Gates) to accumulate a billion dollars, a lot of people must be hugely overcharged and/or vastly underpaid.

More importantly, Representative Ridgely understood that the essence of exploitation was extortion of "legal title" to products or properties produced and owned by others.

What's a "legal title"? Consider a hypothetical farmer who owns and lives on a 1,000 acre farm. He owns—and therefore absolutely controls—the farm because he has *legal* title to it. Because he also has equitable title to the farm, he has the equitable right to use, possess, live on and work that farm. When a single individual has both legal and equitable title to a property, he is said to have undivided or "perfect" title.

But titles to property need not be united. For example, the farmer could rent his farm to you. If he did, he would retain legal title to the property (he'd still own the farm), but you would have

equitable title to use, possess and live on the farm. Bear in mind that your equitable title is *conditional* on paying the rent and inferior to legal title. If you get behind in the rent, the farmer with legal title has the right and power to evict you. The threat of eviction (or otherwise reclaiming the property) gives the owner (the person with legal title) direct control over the property and *indirect control over the person holding equitable title* since owners can usually deprive the renters of use of the property.

The distribution of titles

> "The great problem of temporal comfort . . . that confronts every being upon earth can be successfully solved by two acts, namely, the *production* and *distribution* of the things necessary to human life and comfort. These two acts are simple in their statement, but far-reaching and complex when we attempt to put them into successful operation over a great and extensive country like ours, the greatness of which makes possible extended human comforts and happiness *if* we correctly solve the problem of production and distribution." [Emph. add.]

Ahh, economics reduced to its essentials: production and distribution. How obvious: first produce something; then determine who gets to have it.

> "In the matter of *production* alone we are making wonderful progress in every department. We have outstripped the world in quantity, quality, and variety; but in the second act—that of *distribution*—our system is an absolute failure. Instead of distributing the *titles* to our products, it eternally centralizes them, until less than 10 per cent of our people own 90 per cent of all the values created by the present and all preceding generations. We find undeniable proof of this lamentable congestion of wealth, not only in the centralized ownership of all products of labor, but we also find by the census of 1890 . . . this alarming revelation of the centralized ownership of real estate . . . . [O]f all the families occupying [possessing] homes less than 37 per cent *claim* to be home owners, leaving 63 per cent home renters, while . . . 28 per cent of these homes were *mortgaged*, leaving but a trifle over 15 per cent of the families occupying homes *actually owning* the same." [Emph. add.]

In 1890, almost two-thirds of all Americans admitted to being mere renters. Although 37% of Americans claimed to "own" their homes in 1890, most of those homes were in fact mortgaged, so only 15% were true "owners". So long as their homes were mortgaged (purchased with bank *credit* rather than paid for), the legal title, right of ownership and real control of their homes remained with the bank that provided the credit.

Until the original loan was repaid in full in *lawful* money to the bank, the people living in those houses were entitled to use and possess the property, but they did not actually have legal title to "their" homes and therefore did not "own" them. Of course, once the loan was repaid in lawful money (not legal tender), the buyer received both legal and equitable title to the home and became a true owner.

Rep. Ridgely continues with what was apparently common knowledge in 1900, but is so forgotten today that it's become a profound insight:

> "The *first* act in distribution of property is to change the *titles* from the one having too much of an article to the one that has not enough. *Money* is the best instrument of account ever devised by man to exchange *titles* to property."

Today, we think of our "money" (actually credit/promises and debt-instruments) as a merely a means to purchase (transfer) the actual possession of a physical property. It never crosses our minds that it's more important to *own* (have legal title) to a property than it is to merely possess (have equitable title to) that property. The reason we don't understand the link between legal title and real money (gold/silver coins) is because our modern "money" (credit, promises and debt-instruments) is legally incapable of implementing the *exchange of legal title* to property. Through habitual use of "legal tender," we've lost understanding of the real significance of lawful money.

Cascading consequences

Rep. Ridgely's description of money as an instrument to "exchange" titles emphasizes the fundamental purpose of real money (gold & silver coins) is not merely transfer physical *possession* of property, but to "exchange" *legal title* to that property—and, as consequences of that exchange, convey:

1) *Legal* (rather than mere equitable) right to that property;

2) Standing in *law* (rather than equity) with regard to that property; and therefore,

3) Access to courts of *law* (rather than mere courts of equity) whenever ownership or control of that property becomes an issue to be litigated.

The importance of this cascade of consequences cannot be overemphasized and offers a crucial insight into the workings of our modern "judicial" system.

It's important to grasp that the real purpose of "buying" something is not to gain physical possession, but to gain legal title. The average person can't grasp the distinction. Instead, most people would say, "What difference does it make who owns legal title to a car, so long as I get to drive it?"

It makes all the difference in the world. It determines whether you merely possess the car, or if you have legal rights to the car. With legal rights comes genuine control and personal freedom. If you really own your car (have legal title), the decision to license,

register or insure your car is entirely your own. By virtue of your legal title, you are both free to choose and personally responsible for your choice.

I believe Rep. Ridgely's insight into the fundamental purpose for money is so important, you should read it again:

> "The *first* act in distribution of property is to change the *titles* from the one having too much of an article to the one that has not enough. *Money* is the best instrument of account ever devised by man to *exchange titles* to property." [Emph. add.]

Once you fully comprehend the meaning and implications in those two sentences, you'll begin to truly understand our political, judicial and economic system. Until then, you'll continue to be shorn like sheep.

In essence, it's more important to own than to merely possess. To focus on possession rather than ownership is characteristic of a spoiled child (I want it! I want it!) or a fool.

Nothing new under the sun

The same legal/economic principles apply today as in 1890:

1) Legal title (and therefore ownership, real control and legal right) to that which you purchase with *credit* belongs to the institution that provided the credit until you re*pay* the loan.

2) By law, we can only "pay" our debts with lawful money (gold and silver).

3) In our "debt-based" monetary system, virtually all of our currency (Federal Reserve Notes, checks, credit cards) are debt-based and can "discharge" debts, but not legally "pay" them.

4) As a result, we can use our modern currency to "purchase" *equitable* title (possession) to everything but we can't "buy" *legal* title (ownership and control) to anything.

If Rep. Ridgely was shocked that only 15% of Americans actually owned their homes in 1890, what would he say today when virtually *no* American actually "owns" legal title to any property. And without legal title, it appears that we have no legal rights, no access to courts of law and, at best, enjoy the perpetual status of "beneficiary" (which is a politically correct way of saying "nigger"). Ohh, you may be blonde, blue-eyed, well-dressed, live in a mansion drive a Rolls Royce, and even be the local Klan's Imperial Dragon—but without legal title to property, the banks and government regard you as just another "house nigger" who owns nothing, has no legal rights and no standing in law.

Debts can only be *paid* with lawful money (gold or silver coin or its legal equivalent). I.e., legal title cannot be secured except by *pay*ment in full with lawful money. Until you actually *pay* your debts (for your house, car, clothes or computers) with lawful money, you have merely "discharged" those debts with the credit and debt-instruments we currently call "money".

Therefore, until you actually *pay* your debts in lawful money, you can't legally *own* whatever property you purchased with FRNs. You may get to *use* that property, but you don't own it and therefore, "they" can take (re*possess*) your property from you anytime you get uppity or "they" want to "teach you a lesson".

With only equitable title to property, your status is virtually identical to that of a child playing with a toy. You may love that particular toy, play with it all the time, and believe it to be yours. But, in truth, your parents have title to the toy and therefore have the legal authority to take that toy away anytime they like. They can take "your" toy to punish you or threaten to take the toy to make you obey their rules. They can even take it from you simply because they don't particularly like you very much. However, if you had legal title to the toy, no one could arbitrarily take your toy without due process of law.

Today, adults are in an analogous position. Without lawful money, it's virtually impossible for us to legally pay our debts, repay our loans, secure legal title to "our" property, or become a true owners. Without legal title to "our" property, we are virtual children to our government "father".

If our paper money were marked "tender," it could convey both legal and equitable title to property and would be legally as "good as gold" or lawful money. However, "*legal* tender" merely conveys *equitable* title. (In fact, if there were any truth in government advertising, instead of calling it "legal tender," is should be called "equitable tender".) Legal tender reduces us all the status of children, wards of the state.

Today's FNRs are "legal tender," but they are not lawful money nor are they "*full* legal tender"—a term Rep. Ridgely used to signify lawful money or "tender" able to convey full title (both equitable and legal) to property. In fact, there's virtually no lawful money or "tender" in circulation. Therefore, you can't pay your debts, you can't own your property, and you are legally bankrupt.

The political and judicial implications are so mind boggling as to seem impossible. But they're not.

Real Cause of Our Trouble

> "Mr. Speaker, with this alarming condition before us is it any wonder that the great mass of our people are crying out for deliverance from the burdens imposed by a system which has robbed them of their homes and the products of their labor?"
>
> ". . . . The real cause of our trouble is this: We assume that all capital used in production and distribution must draw unto itself some per cent of increase. We force this payment of increase out of the products of human labor and the *absorption of land title* by various methods known by the familiar names of interest, rents, profits, gain, etc."

In other words, the interest on bank loans that helps produce and

distribute products is ultimately paid 1) from the *wages* of workers who actually produce the products and 2) by "absorbing" the *legal titles to land* that were previously owned (primarily) by the workers.

How do banks "absorb" legal titles to land? Through *credit*. By loaning "money" (actually, *credit*—a mere *promise* to pay) to landowners foolish enough to risk legal title to their *tangible* land as collateral for a loan of *intangible* credit. Sooner or later, the borrower fails to re*pay* his loan and the legal title to his land is "absorbed" into the banking system. Today, once a legal title is "absorbed" from public access, it may never return.

> ". . . [O]fficial statistics reveal the fact that 10 per cent of our people [the rich], who own substantially all of the capital and instruments used in production and distribution, are taking from the other 90 per cent at the place of production over *half* of all newly created values; or, to state more clearly, the total earnings, or wages, of the 90 per cent army [of laborers] will not buy one-half of the property their labor creates, reckoned at wholesale values . . . ."

Ridgely offers a profound insight: In 1900, the rich 10% of America only paid the 90% who labor to produce our wealth about *half* the value of their productive efforts. In other words, if a common man produced $200 worth of wholesale product during a week's work, he was only paid $100 on Friday.

Well, what's wrong with that? The businessmen and bankers are entitled to make a profit, aren't they? A year ago, I would've said, "absolutely"—today, I'm not so sure. In the balance of Rep. Ridgely's speech, he implies the concepts of "profit" and "interest" have become a kind of hustle—devices not intended to reward the owners of capital so much as exploit the laborers—and with dire consequences for our entire nation, rich and poor alike.

As you'll read, these dire consequences revolve around a simple fact: If our economic system pays its common laborers only *half* the wholesale value of what they produce, then those workers can (at most) only buy/ consume *half* of what they produce. As a result, if this nation produces 1,000 Fords but American laborers can only afford to buy 500, who will buy the other 500 Fords?

In fact, Henry Ford applied Rep. Ridgely's theory in 1914 when he doubled his laborer's pay from $2.50 a day (General Motor's rate) to $5.00 a day. Ford reportedly reasoned if workers don't get sufficient income, they can't buy the Model T's they produce. Ford saw the symbiotic relationship that producers and consumers have in each other's well-being.

Nevertheless, in 1900, the rich and powerful "robber barons" used trusts and corporations to exploit the common people by taking roughly half of the legal title to their productive efforts. Sounds awful, right?

But today, local, state, and national government taxes take about 55% of every dollar earned by average Americans. Plus, the interest

paid to banks on loans used to produce and distribute products probably amounts to at least another 10% of our gross national product. Which means, today, government and bankers combine to take at least *two-thirds* of the legal title to products produced by common people—and that's assuming we were paid in lawful money rather than debt-based instruments in the first place.

As a result, modern American laborers can afford to purchase and consume no more than *one-third* of that which they've produced.

This creates a serious economic problem: If American workers are only paid enough to purchase about one-third of the products they produce, where will business sell the other two-thirds?

Ridgely continues:

> "This system not only robs the producers of over half the values they create, but it brings disaster and failure upon the 10 per cent fellows [the rich] who are getting the titles to the other half of our production. . . . [A]dmitting the total wages paid to the laborers will buy back *half* of the newly created values, these 10 per cent fellows find their real trouble . . . is to find customers able to buy the *other half* of their goods."

I.e., even the super-rich are ultimately destroyed by the institutionalized exploitation of common workers since, by depriving workers of full legal title to their productive efforts, they render their workers unable to buy the very products they produced. When companies generate excess profit by exploiting their workers, they destroy their own domestic markets.

> "Every nation has an enormous surplus of products left over after its people have purchased to the last dollar of their wages. Hence our manufacturers are crying for a market, urging *increased exportations*, which can only be possible . . . by exchanging our surplus productions for the surplus of other nations. Returning home with these, we find our people no better able to buy the [imported] goods than they were those [exported]. Hence the 10 per cent fellows [the rich] are still in trouble, and we find them crying out 'overproduction'."

When workers are only paid half of what they earn, they can only afford to buy half of what they produce. Since there is no domestic market for the "extra" 500 cars, Ford must export 'em overseas and trade 'em for 500 "extra" boats built in Panama. But when they get the 500 boats back to America, our laborers (who've been robbed of half the legal title to their productive efforts and therefore can't afford to buy the cars they produced), still won't be able to buy the boats produced by the Panamanians (who were also robbed of legal title to their productive efforts by Panamanian employers and government).

So how can we export successfully?

One way is by installing a handpicked dictator in Panama (or Peru, Indonesia or China) who will exploit his people so thoroughly that they will work like slaves for pennies a day, so they can produce boats with such a tiny price tag that the less impoverished Americans can afford to buy ‘em. This may be the “real world” economic force behind the Colonialism of the 14th to 20th centuries and even today’s push for “global free trade”.

In other words, if the common people who produce products weren’t systematically exploited and robbed of legal title to much of their productive efforts by their own government/banking system, they’d have enough money to buy almost all the products they produced and fully enjoy the fruits of their own labor (including a standard of living about three times higher than they currently enjoy)—but without the need for exports, imports, and captive foreign colonies.

If so, any strong political impulse to export products (like “global free trade”) indicates the local population is being heavily exploited by its employers, bankers and/or government.

Look at post-WWII Japan; it was an economic export monster, envied and feared by much of the world. But Japanese workers lived in tiny cubicles, paid exorbitant prices for food, and routinely worked such long, intense hours they died on their jobs.

Then consider Great Britain’s colonial empire of the 16th to 20th century—again, the foundation for British “empire” seems based on exploitation of the *British* people (they could not own legal title to property) by the *British* crown and ruling class (their “system”).

Similarly, if Ridgely’s right, America’s former status (1940 to 1970) as the world’s leading exporter may be neither accident nor evidence of good fortune so much as the logical consequence of exploitation of American workers through high taxes, interest, and corporate profits.

Representative Ridgely also helps explain the need for NAFTA, GATT and the WTO. “International free trade” is necessary precisely because our government takes 55% of the average American’s income and thereby leaves us unable to afford the fruits of *our own* labor. In order to maintain the fiction that we enjoy an admirable lifestyle, our government/ corporate/ banking “system” essentially *steals* products from other countries and sells them to us at dirt cheap prices.

In a sense, Americans accept being enslaved so long as our “massa” provides us with an even lower class of slaves to serve us. So long as government lets illegal Mexicans in to mow my lawn for $5, I don’t feel the pinch of losing over half the value of my productive efforts to the system’s government and bankers.

Of course, if the working people of any of our colonies (say Nicaragua or Guatemala) get “uppity” and decide to stop paying so much extortion money to their local dictators (our enforcers), we simply send more money, weapons and/or military personnel to shore up “our” dictator’s power. Which may explain why our government insisted on maintaining the dictatorial powers of a host of central Ameri-

can dictators from 1950s to 1990s. Perhaps our "system" needed to overtly enslave foreign people in order to conceal the surreptitious enslavement of Americans.

Likewise, this "real world" economic theory also suggests the underlying reason for our "national interests" in Kuwait, Korea, Viet Nam, Panama, Bosnia, Ethiopia, Peru and Afghanistan. If Ridgely's right, we not only engaged in numerous foreign wars, we risked a *nuclear world war* in order to sustain the current "system's" need to exploit (take legal title from) Americans.

Extremist rhetoric?

At first glance, the implications of Ridgely's speech seem almost comically communistic. Yeah, yeah—the "evil capitalists" (and don't forget their "running dogs") exploit the masses, etc. That's old, tired propaganda.

Today, that kind of anti-capitalist rhetoric seems absurd. But, in fact, Ridgely's observations apply equally to communists, socialists, democracies, fascists and capitalists. (The only pure form of government that might be inherently immune to this problem is a constitutional Republic.)

Consider the former Soviet Union: By definition, communism is a political system where legal title to all property is owned by the state and individual citizens have no legal titles or legal rights. Ridgely implies the complete forfeiture of legal title to one's productive efforts should 1) leave the communists abjectly impoverished; 2) destroy any pretence of a consumer market for goods within communist countries; and 3) force the communist government to expand aggressively through war or political intrigue to enslave more and more foreign markets in order to keep the domestic communists (slaves) in line.

Did the people of the former Soviet Union live in abject poverty? Yes. Was there a meaningful consumer market in the Soviet Union? No. Did the USSR engage in an incessant effort to "expand" toward "world domination"? Yes.

Ridgely's theory seems to work.

Moreover, Rep. Ridgely's notions may be predictive. Did the Soviet Union's empire collapse under the weight of too many slaves and not enough legal title? Maybe so.

Can we predict the same fate for other nations that deny their people legal title to their property and productive efforts? Could be.

And if so, what can we predict for the U.S. that takes virtually all legal title and two-thirds of all equitable title to Americans' property and productive efforts . . . ?

If Rep. Ridgely's right, should we be surprised if our government engages in desperate efforts (even foreign wars) to compel foreign nations to buy our exports? Should we be surprised if people in those foreign client-nations hate us? Not if Rep. Ridgely's insights are correct.

Nevertheless, Representative Ridgely's ideas still seem unbelievable since he implies the simple solution to colonialism, international

trade and endless foreign wars is to implement a small, non-exploiting government and a banking system that can only loan real money, not imaginary credit.

But think about it. We've got virtually everything we need right here in the U.S.A. If the government/banking "system" stopped exploiting us and let us retain legal title to our property and productive efforts, at the end of every work week, I'd have enough lawful money (with which I could exchange legal title) left over to afford to buy (not "purchase") all of *your* products, and you'd have enough lawful money left over to buy (not purchase) all of *mine*. We could keep working the same number of hours we do now, and our standard of living might triple. Our children wouldn't have to fight in foreign jungles and deserts, and when we vacationed abroad we might be welcomed rather than despised.

But faced with the opportunity to reduce government and banking burden on American people, our "system" instead chooses to push exports and increase our burden. Why?

Ridgely reveals at the answer: "absorbing" legal title to ***land***:

> ". . . . The real cause of our trouble is this: We assume that all capital used in production and distribution must draw unto itself some per cent of increase. We force this payment of increase out of the products of human labor and the *absorption of land title* by various methods known by the familiar names of interest, rents, profits, gain, etc." [Emph. add.]

Here, Ridgely reveals that *legal* titles to ***land*** are the real "chips" in the international poker game of wealth, power, banking and empire.

Prepare to be assimilated

> The rich, "next resort to shutting down their mills, mines, and factories to stop overproduction; but this, like the exportation, is also a flat failure, because by shutting down their productive plants they cut off the wages of the people; hence they destroy their [domestic] market simultaneously with the reduction of products."

For example, suppose Ford (faced with an "extra" 500 unsalable cars out of every 1,000 car production run) decided to simply cut their production in half. Instead of producing 1,000 cars and selling only 500, they'll produce just 500 cars, sell 'em all and have no cars left over. Nice theory, but so long as the system takes 50% of the workers' legal title to their productive efforts, the workers who produce 500 cars will still be unable to purchase more than half of their productive effort (250 cars). I.e., so long as the "system" extorts half the productive earnings of common laborers, there will still be an "extra" 250 cars that can't be sold.

The solution to "over-production" is not to cut production, but to cut exploitation (reduce taxes and interest and increase wages) of workers.

Has this reduce-taxes-to-stimulate-the-economy idea ever worked? Absolutely. President Kennedy did it in the 1960s with such great success that total government revenues were "paradoxically" *increased* when taxes were *reduced*. Despite this empirical proof—unless faced with the dire prospects of a serious recession or depression—politicians of both major political parties continue to deny significant tax cuts for average Americans. Why?

> "Thus these 10 per cent fellows [the rich] are involved in serious financial trouble. In their efforts to get out they are forming trusts. The 90 per cent fellows [workers] having legislated against this, the next and present effort of the 10 per cent fellows is to merge their entire capital and property into a few gigantic corporations. But when this is all accomplished they will still be unable to successfully continue this worn-out system of gathering tribute to capital for its use. It has only been possible to operate this system in the past by steadily *absorbing* the [legal] *titles to all of the world's real estate*, which has been the mighty *values added* to the people's earnings, which added value has *alone* made it possible for the people to buy the products of their own labor under this system.

In other words, if government and bankers take two-thirds of what a man earns, once he's broke, he can't purchase domestic or imported products. Broke is broke. So how can the system continue to operate?

Credit. Once the "system" has taken two-thirds of what we earn and left us bankrupt, the only way we can continue to consume even part of the fruits of our own productive effort is through credit.

And what is the ultimate collateral for our credit? Legal title to our **land**. Ridgely explains:

> "This land value was originally a gift to the people from nature; hence their purchase power has been their earnings (wages) plus their *credit* (a *lien* on their *land*). The two combined have enabled the people to purchase the products of their own labor, but this has only been possible by passing the [legal] titles of their lands over to the 10 per cent fellows [the rich]. As proof of this we need only to cite the fact that the great centers of capital in the older nations, as well as in our own country, have ever been absorbing real-estate titles and driving an army of homeless people westward to seek lands. This process has gone on until it has finally *belted the earth*."

I'd say the gift of land was from Yahweh rather than "nature," but nevertheless, Rep. Ridgely makes the fundamental point that all wealth is either derived from *wages* for productive work or from *credit* that's ultimately based on liens on *legal* title to *land*.

If the idea that all credit is ultimately based on liens on legal title to land seems farfetched, bear in mind that the Congressional Record states that "after 1933, all money would be based upon mortgages [liens] on the property [homes and land] of the people."

And why do we need credit? Because the "system" has taken all of the legal title to our productive efforts and two-thirds of our equitable title, and thereby left us too impoverished to actually *buy* the products we produce. Thus, our modern credit is not a tribute to our wealth or personal productive capacity. If it were, how can we explain the fact that America is the biggest debtor nation in the world?

We aren't credit-*worthy* because we're rich, we're credit-*dependent* because we've been systematically impoverished and credit is all we have left to compensate for our lack of lawful money and poverty. We have become a nation of house niggers who may be well-dressed and well-fed, but who are essentially without legal rights and are constantly begging for credit.

The universal intoxicant

Those who think credit is some sort of miracle that empowers average Americans to enjoy the "good life" might want to consider a deeper point of view. Properly understood, credit doesn't empower us, it *drugs* us into indifference. We're intuitively know we're being robbed, but we don't mind so long as our Master Cards still work. (But once the robbery is complete and all of our legal titles are gone, why will the "system" continue to give us credit? Benevolence? Or because we're still armed? And if we're disarmed, why not give "our" credit to the Red Chinese or the Indonesians?)

In any case, if there were no credit to "conceal" the robbery of legal title to property, we would probably revolt or the government/ bankers that rob us would have to voluntarily end or minimize the robbery. Thus, credit doesn't compensate for the theft of our property, it conceals that theft and empowers the thieves to rob us under the guise of a "prosperous economy".

Representative Ridgely's insight is amazing:

> ". . . the great centers of capital in the older nations, as well as in our own country, have ever been absorbing real-estate titles and driving an army of homeless people westward to seek lands. This process has gone on until it has finally belted the earth."

Thus, the driving force behind colonization of North and South America and our own westward expansion to California etc., has been an ancient battle between common people and bankers to own ***legal title to land***. Common people risk their lives to secure legal title to frontier land by developing primitive regions or fighting native peoples for control. But then, (like Esau) they foolishly surrender that land to the bankers in return for the bowl of imaginary pottage called "credit".

Then the next generation of landless commoners risks moving further West to again secure legal title to frontier land. They fight

animals, die from disease or harsh weather and kill and rob Indians for a chance to "live free"—to own the legal title to that which they produce. Bankers inevitably follow when the frontier is rendered "safe" and pass out loans (and credit cards) like apples in the Garden of Eden. Of course, these loans are secured by the collateral of legal title to the land in the frontiersmen's "Garden". As the commoners borrow, gamble, lose their land and move further West in pursuit of more frontier (free) land, the cycle continues. (But what happens when folks finally run out of frontier?)

Ridgely's point was this: the only real stakes in the poker game of life are ***legal titles to land*** (*real* estate, get it?)—all else is temporary or fictional, but not "real".

Black hole of debt-based currency

Of course, in 1900, legal title could be lost to bankers (or whoever) but could also be regained if one accumulated enough lawful money to buy it back. Today, however, because our debt-based FRNs can't convey legal title, once legal title to land is forfeit to the Federal Reserve/ government, that legal title can't be redeemed with FRNs and brought back to private ownership. Without lawful money (gold or silver carrying intrinsic legal title), the Federal Reserve System functions like a financial "black hole"; once legal title sinks into that void, it may never resurface.

The fundamental fraud and deception in our banking system may be this: We put up superior *legal* title to our tangible property as collateral for our loans, but the banks only loans us a paper "legal tender" carrying the inferior *equitable* title. This violates a supreme court maxim of "like unto like". That is, you can purchase equitable title to property with currency that carries equitable title; you can buy legal title to property with money that carries intrinsic legal title but—surprise, surprise!—you can't "buy" *legal* title to anything with FRNs since those Notes are *debt*-based currency.

FRNs aren't assets, they're mere "promises to pay" and no one can pay for something (legal title) with a *promise* to pay (equitable interest)—not even the almighty Federal Reserve. Moreover, it is morally repugnant to trade legal title to the fruit of our productive efforts for mere equitable interest in a fraction of that production.

The New World Equitable Order

Apparently, today's coalition of governments and international bankers (the New World Order) has absorbed virtually all the legal titles to America's real estate and probably all the legal titles to land in Western Europe, Australia, Africa, South and Central America, and the former Soviet Union. Only the governments of various Asian nations may still own legal title to their land.

Is this why we've been trying to "build foreign relations" with Japan, South Korea, Indonesia and China over the past few decades? Because there are virtually no legal titles left to "absorb" in the West?

If Rep. Ridgely is right and the financial system can only survive by "absorbing the titles to all of the world's real estate," once there

are no legal titles left to "absorb", what will hold this international, debt-based financial system together? Could it be that once legal title to all the land is "absorbed" (as has nearly happened), the only legal titles left to claim would be to the workers themselves?

Does our government currently claim legal title to our lives and productive efforts as "human resources"? Pretty much. And when all our lives and productive efforts have been lost to liens, what will remain to use as collateral for credit . . . our children? Our souls? Is the day coming when we'll have to sell our children or "deal with the Devil" (rather than Master Card) to get enough food to live?

No Relief From Asia

> "We are now looking with longing eyes across the Pacific to the Asiatic shores, where the world's civilization first established this system of paying tribute to capital, and what do we find there? Ten to twenty times as many people per acre as we have here, with their wealth and land titles centralized to a greater extent than anywhere else upon earth, while their great army of laborers are reduced to the condition of serfs, starving by millions, their wages, when employed at all, being but a very few pennies per day. Yet some foolishly believe that we can take our machinery over there, employ these serf laborers at 10 to 20 cents per day, and grow rich by throwing their products into the *world's* markets, which they say is the only outlet for the 'surplus production' of *our* laborers. If anyone believes our mad rush to Asia will bring relief to our congested civilization, he is doomed to serious and bitter disappointment."

Fascinating. We tried to sell our surplus production to China in 1900 and it didn't work. (However, in 1914 we did have World War I which pretty much consumed the western world's surplus production as well as a lot of seemingly "surplus" people.) Today, under the guise of "free trade" we are again trying to sell our surplus production to China. Do you think we'll be any more successful than we were a century ago?

In 1900, Rep. Ridgely implied that there's no hope for selling surplus American products (based on exploitation of American workers) to the Chinese (who are even more exploited and therefore less able to buy our surplus products than we are). Therefore, why try to improve economic relations with China today if common Chinese people still can't afford to buy their own surpluses let alone ours?

Answer: We aren't really selling to the impoverished, virtually enslaved Chinese people—we're selling to the Chinese elite, their Maoist aristocracy: the Chinese government. Why? Because only the Chinese *government* (by virtue of robbing the Chinese people) is sufficiently rich to enjoy a surplus in cash necessary to afford imported American products. In the end, the American people aren't selling to the Chinese people; the American government is selling to the Chinese government. Global free trade is not about free trade

between the people of different nations; it's about free trade between the governments, the "massa's" of different nations.

OK, but what shall we export to the Red Chinese government? Hershey Bars? Coca Cola? Ford Escorts? Maybe, but not in sufficient quantity to make an economic impact on the USA. Instead, we will have to turn our "surplus" productive capacity (based on institutionalized exploitation of American labor) to making products that the Chinese *government* (not the Chinese people) wants to buy. And what would any exploitative government want to buy with the wealth extorted from their own people if not weapons and surveillance technology necessary to keep its own serfs under control?

Ridgely's speech helps explain today's enormous international trade in arms. Insofar as the world's population is increasingly enslaved, only their exploiting governments have enough "extra" money to spend on imports. But they don't want more TV sets; they want more *weapons* to control their slaves. If so, it follows that an international arms race is primarily caused by governments exploiting their own people rather than any legitimate threat from foreign countries.

So now, American production can shift from making Fords for common Americans or common Chinese (who both can't afford to buy them) to making F-16s for foreign governments. Is this happening? Yes. The only difference between Rep. Ridgely's era and our own is that the "robber barons" of the 1890s have been replaced by today's "robber-governments" and "robber-banks".

Perhaps the most unpleasant implication in Ridgely's speech is that, since governments are the only remaining markets able to consume even part of the excess production of other exploited people, governments around the world (including our own) are emerging as the open masters (not servants) of their exploited people. If so, we are watching the reemergence of a new class of royalty, a New World Order of feudal aristocracies wherein the "imperial" U.S. government has more in common with the oppressive governments of Red China and King George IV than it does with Washington, Jefferson and the American people.

Ridgely implies that any oppressive government will be more interested in exploiting its own citizens than in freeing them to own legal title to the fruits of their productive efforts. Does this description resemble current American political realities?

Yes.

> "Mr. Speaker, we can not force this old system much further. Already we hear the cry of overproduction again in our land, with our factories and mills shutting down and a nervous unrest in the camp of our capitalists as well as among our great army of laborers; and yet they call these prosperous times."

Are we shutting down American mills and factories? As I edit this article in early 2002, the threat of recession is closing factories and businesses. But those closings may be temporary. However, through

the 1980s and 1990s we have been closing our factories by exporting them (and jobs) to foreign countries where workers are even more exploited than they are here (ask Nike).

In the 1990s, our stock market soared and President Clinton claimed these were the most "prosperous" times since the 1960s (the more apt comparison was to the 1920s). But throughout the apparent prosperity of the Clinton years, there was an undercurrent of "nervous unrest" in this country.

Even today, do we expect a "serious disaster just ahead"? If so, Rep. Ridgely's century-old speech remains insightful.

> "Let us abolish our present system of bank issues and loaning of money and instead issue all money direct by the Government, a *full* legal tender, regardless of the material used in its coinage, create and issue a sufficient volume to effect *all* exchanges of *titles* to property upon a *cash basis*, put this money into circulation by paying it out in settlement of all governmental expenses, and abolish forever all interest-bearing bonds and all forms of *private debts* [credit]. This will free labor from all tribute to capital in the form of money and make it possible to exchange and distribute *titles* to *all* property *without the creation of debts*. . . . There should be enough money to displace all use of credits and avoid all borrowing of money by the citizen."

Rep. Ridgely recommended creating a new money media—it could be gold, silver or even paper, just so long as each monetary unit contained "*full* legal tender". As noted in the next article by Professor Timberlake, "full legal tender" was issued by the North during the Civil War "United States Notes". I believe "full legal tender" (while not the gold or silver "tender" required by Art. 1 Sec. 10 of the Constitution) nevertheless conveys *both* equitable and legal title to property from the seller to the buyer.[1]

If so, Ridgely implies that he (and the northern Congress of the Civil War) understood that our money's material composition (gold, silver or paper) was insignificant compared to our money's *quality*—it's capacity to convey *legal* title to property as well as equitable interest. Thus, there appears to be historical precedent to demonstrate there's no technical reason why we must be bound to gold or silver as the only lawful substance for money. Paper money, or electronic money or even sea shells can serve as lawful money—if that money carries *intrinsic legal title* and is thus a "medium of *exchange*" (of legal title) rather than a mere "medium of *transfer*" (of equitable title).

Therefore, Ridgely implies that his new form of money would not be "legal tender" (which transfers only equitable title) but rather "*full* legal tender" which (though not gold or silver) would nevertheless carry intrinsic equitable and *legal* titles. As a result, we could buy *legal* title to property (even with Ridgely's paper money) so long as the paper was not a *debt*-instrument and therefore able to convey legal title.

Further, Ridgely recommends government (not the banks) inject

enough "full legal tender" cash into society to render all credit transactions unnecessary. Ridgely's would thus allow the exchange of *all* titles (legal and equitable, to cars, land, and labor) for "*full* legal tender" cash only (gold, silver, or the legal equivalent).

The idea that government could issue an unlimited amount of "full legal tender" would probably scare most fiscal conservatives. But as we've seen in previous articles, the existing debt-based monetary system must ultimately fail (and fail catastrophically) because the banks that loan the principle never create the additional interest necessary to repay the loan. Would we rather risk inevitable economic catastrophe, or install a monetary system that eliminated interest and debt and was therefore not guaranteed to fail or precipitate wars?

If Ridgely's system of "full legal tender" were enacted today, the price of all products would decline sharply since they'd carry no intrinsic interest costs and people could buy only after they'd earned and then saved enough money to *pay*—not merely whenever they felt an impulse to *purchase* (possess) something with *credit* (a promise rather than a tangible asset).

Similarly, instead of hustling to obtain a good credit rating (an "image"), people might change their behavior to focus on real earning rather than "imaginary" credit.

If some forms of credit were still allowed, it should be required that every credit transaction clearly notified the purchaser with "full disclosure" that he was only getting equitable title (not legal) and therefore only equitable rights to use (not own or control) the property involved.

A revolution in your pocket

I doubt that one man in ten thousand could even dream that by simply changing our money system, we might cause revolutionary changes in our political system, individual rights, and economic wealth. But Representative Ridgely understood the revolutionary implications in such monetary change.

By allowing any institution—be it capitalist, communist, government or bank—to exploit its workers by paying them less than they earn and, worse, depriving them of *legal title* to the product of their efforts, a nation sets forces in motion which, left unchecked, can cause recessions, depressions, political oppression and even another "Dark Age" for all civilization.

On the other hand, by simply restoring a "full legal tender" currency (Rep. Ridgely's term for lawful money or "tender"; a currency that can implement the exchange of both equitable and legal titles), we might restore legal rights, standing in law, and access to courts of law to common Americans.

The value of that restoration would be incalculable, revolutionary and could restore America to economic greatness and Americans to an unparalleled standard of living.

[1] The concept of "full legal title" will be explored more fully in the subsequent article, "How Full Legal Tender Was Money and Could Be Again."

How Gold Was Money & Could Be Again

by Richard H. Timberlake, PhD.

Dr. Timberlake is Professor of Economics Emeritus at the University of Georgia, Athens. This article was originally published in 1995, and offers some nice insights into the history of government's monetary meddling and a fairly standard plea for a return to gold-based money.

However, as much as I like Dr. Timberlake's article, I am almost shocked to read that Dr. Timberlake (a Professor Emeritus of *Economics*) seems to see no intrinsic difference between real money (gold or silver coins) and paper Federal Reserve Notes (FRNs).

Of course, I'm a former roofer, and Dr. Timberlake is a Ph.D. (that means he be smart and I be dumb). So my notions on money are probably misguided. Still, I remain confident that the primary difference between "gold" and "paper" money is not the physical material used in their construction, but their intrinsic legal *quality*.

That is, I believe gold coins ("tender") can be used to exchange both legal and equitable titles to property, but our current "legal tender" Federal Reserve Notes (FRNs) seem able to transfer only equitable title between the immediate parties to the sale. If so, the legal, political and economic significance of the *quality* of our money is enormous. For example, perhaps we don't really "own" anything purchased with legal tender (FRNs). Instead, by using "legal tender," we may only purchase equitable title—the right of use or possession but not true ownership.

But if this hypothesis is valid, we're faced with some very troubling questions about Dr. Timberlake's article. For example, why doesn't he make reference to the intrinsic quality of money as a medium for the exchange of legal titles? Is it possible that Dr. Timberlake knows the truth about the "quality" of money and the differences between "tender," "legal tender" and "full legal tender" but simply neglected to mention them? Did he intentionally suppress reference to the intrinsic quality of money for reasons we can only

guess? Or is it possible that Dr. Timberlake, a Ph.D. in Economic and Professor Emeritus simply *doesn't know* about the importance of money as a means to exchange titles?

If a man with Dr. Timberlake's credentials doesn't understand that the principle purpose for lawful money ("tender") is to enable the exchange of legal title to property, then one of two things is true:

1) I'm an idiot and my peculiar notions about the intrinsic qualities of money are simply too ridiculous to warrant serious consideration; or,

2) Our educational system is so woefully inadequate that even persons with advanced degrees are ignorant of real world economics.

Of course, my ego would be slightly bruised if it were shown that my "brilliant" insights into the nature of money (and this book) were just so much crapola. But I'd get over it.

However, I'd be even more disturbed if it turned out that my notions were essentially correct but Dr. Timberlake had no clue. It should be inconceivable that I could be right while a professor with Dr. Timberlake's credentials had no idea—unless our education system is being intentionally manipulated and controlled to inhibit real education right up to the level of Ph.D.s.

The idea that even the "elect" are mis-educated and fooled by our monetary system's deceit seems unlikely. But John Maynard Keynes was one of the giants of economics. Remember his warning that not "one man in a million" understands the nature of money? If Keynes estimate was right, there should only be about 300 people in the whole USA who truly understand money. I guarantee that 300 is such a small, elite group that it need not include even PhD.s and Professors Emeritus like Dr. Timberlake.

Thus, if Lord Keynes' assessment was correct, it's not only possible, but likely that even professors of economics don't really understand the nature of money.

Dr. Timberlakes' footnotes are identified with numbers and appear at the end of the article. My own interjections are identified by letters ("A, B, C", etc.) and appear in the column along side of the article.

Gold and Silver: Constitutional Money

Students, scholars, and some curious people who occasionally stray into the text of the U.S. Constitution are properly puzzled by contradictions between that document's "plain language" and much of what we take for granted in the world today. One such contradiction is the paper money and checks everyone uses to make ordinary transactions. The Constitution stipulates that, "No State shall . . . coin money, . . . or make anything but gold and silver coin a *tender* in payment of debts . . ." (Article I, section 10). Yet on every unit of paper money the U.S. Government asserts without apology: "This note is legal tender for all debts public and private." By what political

alchemy has gold and silver become paper?

Not only is the paper money "legal tender" (meaning that it *must* be accepted as payment for any debt), but the gold and silver specified in the Constitution are nowhere to be seen. Gold and silver coins appear rarely, but only as collectible artifacts, not as money.

This seeming contradiction between the fundamental monetary law of the Constitution and real life conditions might suggest that gold and silver had somehow disappeared from the face of the earth in the 200 plus years since the Framers included that simple clause. However, such is not the case. The world's governments own more than 35,000 tons of gold as bullion and coin, and private persons own another (estimated) 50,000 tons. Silver is even more plentiful. Its current market price, reflecting its abundance, is only about one-eightieth the price of gold.)

The absence of gold *money* correlates with the accumulation of gold hoards in the possession of *government* central banks and treasuries. If it's there, it obviously can't be out in markets transacting business, or in banks serving as a base for bank-issued notes and checks.

It was not always this way. Until our Civil War, local banks routinely held gold and silver as redemption reserves for their outstanding notes and deposits while the federal government held just enough to expedite its minting operations. Congress had the constitutional power to "coin money," but that power did not presuppose that it *keep* any stock of gold and silver beyond the inventory requirements of its mints. Indeed, even though Congress had the power it was not required to coin money at all. Private mints flourished until the Civil War, often minting coins of slightly greater gold content than government mints.

Money after the Civil War

However, the Civil War changed fundamentally both the monetary system and governmental management of money.[A] During that war, Congress authorized two new paper moneys, U.S. Notes, or "greenbacks," which were declared "full legal tender," and national bank notes that were "legal tender" for debts due to or from the federal government.[B] For all practical purposes, both these issues of paper money were obligations that the U.S. Treasury had to redeem in gold on demand after 1879.

In addition, starting about 1875, silver money at the specified mint price began to decline in real value due to the burgeoning supplies of silver from the American West. As a result, silver was a viable currency only because it was redeemable in Treasury gold. Therefore, in the 1880s and 1890s, gold held for monetary purposes became concentrated in the U.S. Treasury—whereas 50 years earlier, several thousand commercial banks had held the gold to meet the demands of their local depositors and note holders.

The laws that authorized the three major fiat currencies [U.S. Notes, private bank notes, and over-priced silver coins] changed the character of the gold standard from a widely dispersed gold standard, kept operational by thousands of local banks, to a "collectivist"

[A] War and credit seem co-dependent. Aggressive, world-wide warfare of the 20th Century would've been largely impossible without massive credit. What government could launch a modern war against a foreign nation without sufficient credit to fund the war *now* and worry about paying for it *later*? Conversely, I suspect that without war, modern credit might be largely un-evolved and Master Cards might be as rare as unicorns. I'm sure modern war depends on credit, but more importantly, I suspect credit (and the modern banking system) depends on war.

[B] I'm amazed that Dr. Timberlake uses the terms "tender" (Const., Art. 1, Sect. 10) , "full legal tender" (Civil War "greenbacks"), and "legal tender" (modern FRNs) as if they were synonymous. Apparently, he sees no significant distinction between them. I, on the other hand, believe understanding the difference between these terms is *crucial* to understanding our modern monetary predicament.

The distinctions between the three forms of "money" ("tender," "legal tender" and "full legal tender") are explored more fully in the subsequent article, "How Full Legal Tender Was Money and Could Be Again".

gold standard operating from Washington and New York. Almost all the pressure for redemption of paper currency was transmitted to the U.S. Treasury. During the Panic of 1893, for example, the Treasury allowed its gold reserve to decline by 51 percent from $259 million (average for 1892) to $126 million (average for 1895).[2]

The Federal Reserve Act that Congress passed in late 1913 continued to aggravate the centralization of gold. The Treasury still held gold as a reserve against its paper currencies outstanding, and the twelve new Federal Reserve Banks received the gold deposits of their "member" banks in return for a bookkeeping reserve asset labeled "Reserve Bank credit." Presumably, the member banks could get these deposits converted into gold whenever they needed it—much as an ordinary householder or businessman could write a check against his deposit at a commercial bank to get cash.

The events of World War I witnessed an extraordinary gold flow into the United States to pay for war materials and services. By 1922 total gold in the U.S. Treasury, including the amount held for the Federal Reserve Banks, was $2.1 billion, or 3,188 tons. Treasury gold fluctuated somewhat during the 1920s but, by 1929, was at $3.3 billion or 4,956 tons.

New Deal Gold Policy

As the Great Contraction began in 1929, the Treasury and Fed *increased* their hoards of gold—as though stockpiling gold in government vaults would serve as some kind of magical panacea to reverse the Depression's disastrous contraction of money, bank credit, and employment. By 1931, Treasury gold was $3,696 million—over 5,500 tons, while commercial banks were failing by the thousands for want of gold reserves.

The compulsion of the U.S. Treasury and Federal Reserve Banks to hoard gold between 1929 and 1933 was in sharp contrast to Treasury policy between 1892 and 1896. In the earlier period, the Treasury felt duty-bound to redeem its paper currencies with gold but thereby lost over 50 percent of its gold reserves. All through the 1929-1933 period, except for a brief interval in the middle of 1932, the Treasury and Federal Reserve added to their gold holdings while the private banking system collapsed as its gold reserves disappeared. The net change in Treasury gold holdings was a minuscule decline of 1.8 percent.[3]

Given the gold flow into the United States at this time, the commercial banks would have had significantly greater reserves for redemption purposes and credit expansion *if the Treasury and Federal Reserve had not existed!* Rather than an "engine of inflation," the Federal Reserve System at this time was an absorber of gold and an "engine of contraction." [Deflation] Between 1929 and 1933, it allowed the economy's monetary stock of hand-to-hand currency and bank deposits to decline from $26.2 billion to $19.2 billion, or by 27 percent.[4]

Instead of relieving the depressed monetary and credit conditions of 1933 by getting the gold out of the hands of the Treasury

and Federal Reserve Banks and into commercial banks and households, New Deal monetary legislation only made matters worse.[C] Congress and the Roosevelt Administration passed several acts in 1933-1934 that added more gold to the government's holdings and simultaneously induced the surviving banks to be even more squeamish about extending new credit. On May 12, 1933, Congress passed the Thomas Amendment to the Agricultural Adjustment Act which gave the President power to raise the dollar value of gold by 60 percent. Then on June 5th, three weeks later, Congress passed the Act Abrogating the Gold Clause, which repudiated all gold clauses in all contracts public and private, including the bonds issued by the government itself to help finance World War I.

Next came the expropriation of privately held gold.[D] By the Gold Reserve Act of January 30, 1934, President Roosevelt called into the U.S. Treasury all domestically owned gold and paid for it at the official mint price of $20.67 per ounce. Then, by the fiat power of proclamation given to him in the Gold Reserve Act, he raised the mint price of gold by 59 percent to $35 per ounce. Since the government now owned all of the gold, none of the "profit" from the gold price increase went to private households, to banks, or to business firms where it was desperately needed. Rather it enriched the already bloated hoard of gold in the U.S. Treasury. In just *one month*, Treasury gold almost *doubled* in value from $4 billion in January 1934 $7.4 billion in February 1934![5]

The political uncertainty in Europe, in addition to the enhanced price of gold in the United States, caused significant exports of gold to the United States in the 1930s. By 1941, Treasury gold had reached $23 billion which, even at the new price, amounted to over 20,000 tons! At the same time, the Act of 1934 prohibited private persons and businesses from owning gold or to using gold for monetary purposes. And certainly, the Treasury gold was not their gold.

Gold Policy after World War II

In fact, the gold had become nothing more than a balance sheet adornment for the Treasury Department and the Federal Reserve Banks. Government spokesmen dishonestly claimed that the Treasury's hoard of gold "backed" Federal Reserve Banks' notes and reserves. But what does "backed" mean if no one is allowed to own or use the gold? It meant that the U.S. Government, through its Federal Reserve Banks, could issue almost as much paper money as it pleased. The government had unlimited credit.

Paradoxically, *foreigners* (unlike U.S. citizens) could legally claim the U.S. Treasury's gold through their central banks and treasuries.[E] Consequently, in accordance with

[C] Dr. Timberlake's litany of governmental acts that removed gold "tender" from circulation leaves little doubt that government intentionally caused or at least intentionally prolonged and aggravated the Depression of the 1930s.

[D] I find that 1934 seizure (theft) fascinating in light of the moral outrage in the late 1990s that was aimed at Swiss banks which effectively "seized" gold from Jews persecuted by the Nazi's during WWII. There's only about twelve years' difference between when the Federal government seized America's gold (1934) and when the Swiss banks effectively "seized" the unclaimed gold or bank deposits of Jews who died in WWII (1946). In the late 1990s our own Federal government insisted it was morally correct for Swiss bankers to restore gold seized in 1946 to European Jews or their descendants. If so, it seems reasonable to suppose it's also time to insist our same Federal government likewise restore gold seized in 1934 to American Jews—and, while they're at it, also restore the seized gold to Gentiles, atheists, and every other American (or their heirs) who was robbed in 1934. It's important to note that while Swiss bankers may've taken advantage of the misfortune of *foreign* Jews, our own government flat-out robbed its own citizens. Which seizure should inspire the greater moral outrage?

[E] There's no paradox here. "U.S. citizens" are a class created by the 14th Amendment in 1868. Originally intended as an inferior citizenship for newly freed Negroes, this citizenship is for subjects (serfs and slaves) under Congress rather than sovereign State Citizens of the sort intended in the Constitution in 1789. It is precisely because the "foreigners" were not 14th Amendment "subjects" of Congress that the "foreigners" still had standing in LAW to claim the U.S. Treasury's gold. Legally and politically, the foreigners had (and have) more rights in this country than virtually all modern Americans.

balance of payments adjustments in the 1950s and 1960s, more than half of the Treasury's gold stock was *exported* to other countries. This continued outflow prompted President Nixon to discontinue even the pretense of a gold standard. On August 15, 1971, he barred any further gold redemptions to foreigners who held dollar claims. The price of gold then became an object of world market forces, but the U.S. Treasury holding since 1971 has remained almost constant at around 260 million ounces or 8.125 tons.[6]

Separation of Gold and State

What should be done with all this gold—the 8,000-plus tons the U.S. Treasury holds as well as the other 27,000 tons that other governments sequester? It seems obvious from the history of the relationship between gold and the state, that the more gold there is in the hands of governments, the less surely the gold serves as money. Therefore, the only way to restore gold and silver as media of exchange is to get the metals out of the possession and control of governments.

Certainly, gold has no current monetary or fiscal function for its government owners. It generates no revenue of any sort. It has no effect whatsoever on central bank monetary policies nor on the credit volume of the private banking system. In its present status as a government-owned "surplus" commodity, it is the "barbarous relic" that John Maynard Keynes characterized it in 1923. It may serve in the minds of Treasury bureaucrats as "psychological starch" for public confidence in government, but its former role as a viable money is completely absent.[7]

The gold cannot be forced back into a monetary role. No government, including especially the U.S. Government, is going to reestablish a gold standard by specifying the gold content of gold coins and declaring them legal tender.[F] Treasury spokesmen would claim that it would be impossible to estimate the gold value of the current Federal Reserve dollar. They would argue that the indeterminacy of gold's monetary value was a good excuse for doing nothing. So the gold would lie there, a useless heap, similar in its non-function to other surplus commodities the government has stockpiled.

[F] Why, in God's name, would anyone but the world's elite bankers want to declare gold coins to be mere "legal tender"? As "legal tender," the gold coins could only transfer equitable title to property and would thus leave the people as subjects in perpetual debt and without standing at law rather than sovereigns over government and free men. The whole idea of restoring a gold standard is not to get something shiny to use as money--it's to restore the capacity of the American people to own and exchange legal title to their property. Again, Dr. Timberlake's apparent ignorance of the differnce between "tender" and "legal tender" is disturbing.

Even if the Treasury went through the formality of giving dollars a fixed gold value, it would insist on keeping the gold in the Treasury's vaults in order to "back" the existing monetary aggregates that would now be "based" on gold. Central bank policies would continue to operate much as they do today. Rather, they would now have an undeserved aura of respectability behind which Treasury and Federal Reserve managers could conduct business as usual.

Therefore, sound money advocates should not waste their resources lobbying for a gold *standard* which, by definition, would include the state as overseer and manager of a gold currency, specifier of gold's price in dollars, custodian of gold, and continuing manipulator of a central bank-issued paper money.

No. The only way to ensure that gold becomes a viable money is to first *separate gold from the state*, and the state from the operation of a gold money. Indeed, the "separation of gold and state" might

begin as an economizing measure—a form of privatization. Here are all those thousands of tons of gold lying idle and useless. Give them back to the people from whom the gold was unconstitutionally snatched in 1934.[G]

Redistributing Treasury Gold

The Treasury Department collects and disburses money for the federal government through the IRS. In a future taxable year, the IRS would note the total number of dependents on the various income tax forms (1040, 1040A, and 1040 E-Z) and then issue one one-ounce gold certificate for each listed dependent to the heads of households who filed the returns.

The stored gold is in the form of ingots each of which weighs 400 troy ounces (27 plus pounds), and is worth somewhat more than $15,000 at the current market price of gold. The Treasury would offer to exchange (sell) these bars in the open market for the appropriate number of gold certificates to any private firm or individual tendering them in the proper quantities. It would leave the actual disposition of the gold completely in the hands of private wholesalers and brokers.

In order to get the gold bars from the Treasury, a wholesaler would have to collect enough gold certificates to make his effort worthwhile. Very quickly, the gold market would establish a dollar price for the gold certificates. The price would be slightly less than the spot gold price currently posted in markets because the wholesaler-distributor would have to get some return for his services, which would include shipping, handling, storing, and packaging the gold.

Taxpayers who received the gold certificates would be elated. After all these decades of paying taxes, they would finally get something in return. True, it would be far less than they had paid in, but at least the gesture would reflect a disposition on the part of a grateful government to reward its supporters by returning some real wealth that the government cannot use and that cost it nothing in the first place.

The new gold owners—virtually all of us would next ponder what to do with their windfalls. Some would deposit their gold certificates in banks as gold demand accounts until they were more certain of its value and utility to them. Because many people might want this option, banks would cater to their wishes by offering gold-deposit accounts distinct from conventional checking accounts. The banks would use the gold certificates to claim the gold bars from the U.S. Treasury, and the gold would then become a true reserve backing the gold demand deposits.

Industrial users would also want gold to make art objects as well as other gold items. And some amount of the gold would probably be used in medical technology and the physical sciences.

Finally, some certificate holders might want to exchange their certificates for gold coins that would be something like the half-eagles, eagles, and double eagles of the pre-1914 era. (The double eagle was a "twenty-dollar gold piece" and contained slightly less than one ounce of gold.) To satisfy the demand for coins, private coinsmiths

[G] Insofar as the gold was seized from the class of "citizen of the United States" created in 1868 by the 14th Amendment, the seizure was not "unconstitutional". Such 14th Amendment "citizens" are not sovereigns over government (as was intended in our original Constituion in 1789) but rather subjects of Congress. As subjects, they have none of the "unalienable Rights" first declared in the Declaration of Independence in 1776. They are serfs on the government's plantation, and their property is at all times subject to confiscation by their "massa"

would buy bunches of one-ounce certificates from the taxpayers who had received them and exchange them at Treasury offices for ingots. The coinage specialists would then produce coins in convenient denominations and sell them to their numismatic clients.

How the People's Gold Would Become Money

The gold redistribution would find everyone a winner. True, the U.S. Treasury would lose the gold. But since Treasury executives realized no travail in collecting the gold, and since the gold currently has no fiscal or monetary function to the government or any other use, parting with the gold should cause no more concern than clearing out obsolete records and other trash.[H] In fact, its departure would markedly reduce the administrative costs of Treasury operations.

The now-privatized gold that had become the basis for special bank administered checking accounts would develop monetary functions. Gold depositors who wished to transact in this medium would have checkbooks appropriately identified with gold logos, and would write checks to anyone who would accept title[I] to the designated quantity of gold as payment for a debt. Gold reserve banks would clear gold balances with each other based on their daily or weekly debits and credits. They would perforce redeem deposits on demand in gold for any gold depositor who so wished. Eventually, borrowers might base their loans on gold, whereupon the gold would complete its restoration as a viable money.

Gold would not become *the* monetary standard. It would continue to have a dollar price in the world's gold market but it would not have a mint price specified by Congress. No government department or bureau would own gold. Federal Reserve notes (as currency) and Federal Reserve Bank reserve-deposit accounts (for commercial banks) would still be the only "legal tender"[J] (in spite of the Constitution) and available as they are now for those who want conventional fiat paper money.[J] The gold would simply be an alternative money for people who chose to use it for transactions and contracts.[K]

Gold Money as a Check on the Federal Reserve

A final interesting feature of the privatized gold would be the effect of its market price in paper dollars on present-day Federal Reserve policy. Some responsible Federal Reserve officials on the policy-making Federal Open Market Committee (FOMC) are currently trying to implement a policy of long-term price level stability (zero inflation). However, they are constantly badgered by monetary "activists" in Congress and the Administration who want to retain a short-run inflationary "cure" for unemployment and economic slumps. If the privatized gold became fairly widely used as money side-by-side with Federal Reserve fiat money, the price of gold in Federal Reserve dollars would tend to be an instant check on inflation—much more so than it is today. When the market price of gold rose, everyone

[H] I disagree. Restoring gold as a "tender" or "full legal tender" would threaten the entire banking and monetary system. The political consequences would probably push us back from a Democracy to a Republic. This would be cause for enormous concern and fierce resistance from government.

[I] Which title? Legal, equitable or perfect?

[J] Who, in their right mind, that graduated from 6th grade would be dumb enough to want "legal tender" (with all the attendant legal and political disabilities) if gold and silver "tender" (or paper "full legal tender") was available? Who would knowingly choose to be a slave? The implication of Dr. Timberlake's casual acceptance of "fiat paper money" as a sensible choice suggests that he just doesn't understand the intrinsice nature of money. Doesn't he understand that "legal tender" is the least valuable and most dangerous kind of currency?

[K] Gold would be "simply an alternative money" . . .?

At least when "coined," gold "tender" is no more a "simple, alternative money" than sandpaper is a "simple, alternative" toilet paper. I believe the difference between gold "tender" and paper "legal tender" is so enormous, that Dr. Timberlake could not fail to describe that distinction unless he was ignorant of the distinction or intentionally chose to conceal knowledge of that distinction from the "great unwashed". Again, see the next article, "How Full Legal Tender Was Money and Could Be Again".

would know that the Fed was inflating—that the real value of the paper dollar was falling—and would substitute private gold money for Federal Reserve money. Therefore, the market price of gold would be a constant check on too much monetary activism by the FOMC and would contribute significantly to the Fed's desired policy of price level stability.

To achieve a gold-based money, the gold must be held ubiquitously so that *individuals* can endow the gold with monetary properties and monetary functions.[L] But to have this effect, the gold must be in everyone's possession so that everyone can "get the idea."

For the last 60 years, the Treasury has hoarded thousands of tons of gold, and has only disbursed it to *foreign* central banks and governments; and for the last 20-plus years the gold has been a largely inert mass of no use to anyone. Even Treasury officials are largely ignorant of its physical details.

Suppose, however, that an astute politician promised to return the gold to the people as a means of economizing on the inventory of "surplus" government commodities. Can anyone imagine that such a plank in a political platform would be unpopular? "No, no," the candidate would declaim, "I am not buying votes with gold. I would not stoop to that. I simply want to economize government operations and, at the same time, return a useful commodity to the public so that people can use it as money if they wish to do so."

Yes, Mr. Candidate, you would have my vote.

[L] Bouvier's Law Dictionary (1856 A.D.) defined the noun "coin" thus:

"COIN, commerce, contracts. A piece of gold, silver or other metal *stamped* by authority of the government, in order *to determine its value*, commonly called money. Co. Litt. 207; Rutherf. Inst. 123." [Emph. add.]

This 145 year old definition implies that there may be no historical precedent for "individuals" to "endow gold with monetary properties"—at least not the exchange of legal title to property. Instead, to spin gold into money, the State must apply it's "stamp". This opinion is explored further in the next article ("How Full Legal Title Was Money and Could Be Again).

If it's true that gold must be stamped/certified by the lawful government before it becomes "money," Dr. Timberlake's recommendation that we establish a gold-based monetary system in which individual's "endow gold with monetary properties" strikes me as at least unlikely, ineffective or misleading.

Dr. Timberlake's article originally appeared in the April, 1995 issue of *The Freeman*, the monthly publication of The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York 10533. His article was reprinted in Volume 8 No. 2 of the *AntiShyster* with the Foundation's permission.

Again, I'm troubled by Dr. Timberlake's article. Depsite his fine research, dates, and information, there seems to be a gross and fundamental omission in his article. Why doesn't Dr. Timberlake even hint at the distinctions between "tender," "legal tender," and "full legal tender"? Why does he seemingly imply that the three terms are virtually synonymous?

Of course, given his education as compared to mine, we should assume Dr. Timberlake's understanding of the nature of money is far superior to my own.

But if I'm even partly right, how could a Professor Emeritus of *Economics* not understand something as fundamental as the "qualitative" differences between gold and paper money, or between the three variations on "tender"? The possibility that a Professor Emeritus of Economics doesn't understand the nature of money only confirms 1) the validity of Lord Keynes' estimate that "not one man in a million" understands the nature of money; and 2) the astonishing and dangerous ignorance of the American people.

[1] Lewis Lehrman, Ron Paul, *The Case For Gold,* Washington: The Cato

Institute, 1982, pp. 160-161.

[2] Richard H. Timberlake, *Monetary Policy in the United States,* Chicago: University of Chicago Press, pp. 158-159.

[3] *Ibid.,* pp. 280-281.

[4] Milton Friedman and Anna J. Schwartz, A *Monetary History of the United States, 1867-1960,* National Bureau of Economic Research, Princeton: Princeton University Press 1963, pp. 712-713.

[5] Timberlake, *ibid.* Also, Horace White, *Money and Banking,* rev. and encl. by Charles Tippets and Lewis Froman, New York: Ginn & Co., 1935, pp. 696-721.

[6] Paul & Lehrman, *The Case for Gold,* pp. 159-161.

[7] Treasury officials and other government spokesmen often speak reverently about the "country's gold reserves." This reference is at least 66 2/3 percent inaccurate. The gold does not belong to the "country"; it belongs to the federal government. And the gold is not a "reserve" for anything. It is an inert stockpile of precious metal. I do not doubt, however, that it is truly gold, and that it exists. Nevertheless, I'd like a little more on-the-spot confirmation of this presumption.

Love Me Tender

by Alfred Adask

In the previous article ("Title Wars"), U.S. Congressman E.R. Ridgely used the term "full legal tender" in 1900 to describe his proposed new form of national currency. This currency would be issued directly to the people from the national government, without the intervention of banks, and thus be interest free.

When I first read Representative Ridgely's reference to "full legal tender" I assumed it was a term he had coined but was otherwise unknown in the economics of 1900 or 2002.

However, in the next article (written in 1998 and entitled "How Gold Was Money and Could Be Again"), Professor Emeritus of Economics Dr. Richard Timberlake also used the term "full legal tender" to describe the "greenbacks" that were issued during the Civil War. Thus, I began to realize that "full legal tender" is a concept that's not only recognized in economics, but has concrete historical precedent in American history. E.R. Ridgely didn't coin the term; it had already been used during the Civil War.

Based on Representative Ridgely's speech, and Professor Timberlake's article, I can see three forms of currency: "tender" (mandated by Federal Constitution, Art. 1, Sect. 10) , "full legal tender" (Civil War "greenbacks"), and "legal tender" (modern FRNs) . Although Professor Timberlake uses the three terms as if they were synonymous, I believe understanding the difference between these terms is *vital* to understanding our modern monetary predicament.

Coin

Article 1, Section 8 Clause 2 of the Federal Constitution reads:

> [The Congress shall have Power . . .] "To borrow Money on the credit of the United States."

It's extremely unlikely that the Constitution would grant Congress the power to "borrow" money if Congress already had the power to actually print or "make" money. Why borrow (and pay interest on) that which you are empowered to create? Implication: Congress can't "make" our money.

Article 1, Section 8, Clause 5 reads in part:

> [The Congress shall have Power . . .] "To coin Money, regulate the Value thereof, and of foreign Coin . . . ."

Implication: If Congress can "borrow" (but not create) money, and Congress can also "coin" money, the verb "coin" means something other than "make," "manufacture" or "create".

Bouvier's Law Dictionary (1856 A.D.) defines the noun "coin" as follows:

> **COIN**, commerce, contracts. A piece of gold, silver or other metal *stamped* by authority of the government, in order *to determine its value*, commonly called money. Co. Litt. 207; Rutherf. Inst. 123. [Emph. add.]

Here we see that although a "coin" is a made of metal, it's critical feature is not it's gold or silver content, but the fact that it is "stamped" by the authority of government to determine (certify) its value. Thus, the power to "coin" money is the power to place a stamp on disks of metal which certifies the value (weight and purity) of the metal in that disk. The "stamp" consists of the official words or graphic images that are embossed on the surface of the metal disk.

Affixing this "stamp" on the metal disks is no more the act of "creating" money than placing a USDA "Prime" stamp on a side of beef is the act of creating a cow. This implies is that someone other than government "creates" our money, but government "certifies" the value of that money and then gives it a "stamp" of approval. This implication is consistent with Art. 1, Sect. 8 Cl. 2 which empowers Congress to "borrow" money. To borrow money presumes that the money is owned by someone else. Congress may "coin" money on behalf of someone else (the money's lawful owner) and then borrow that money from the lawful owner, but government is not empowered to create money.

The more widely referenced article of the Constitution dealing with money is Article 1, Section 10, Clause 1 which reads in part,

> "No State shall . . . coin Money . . . [or] make any Thing but gold and silver Coin a Tender in Payment of Debts . . . ."

First, this constitutional prohibition applies strictly to the States of the Union—not the national government or any corporate STATES. No State of the Union shall "coin" (certify the value) of money. This

makes sense as a device to prevent each state from having a different system of values for money that would inhibit inter-state commerce. For example, if Virginia declared a Virginia dollar had 200 grains of silver, and Georgia declared a Georgia dollar to contain 225 grains of silver, and New York declared a New York dollar to contain 175 grains of silver, the resulting confusion, litigation and impediment to commerce would be enormous.

Second, while the States can only make "gold of silver Coin" a "Tender" for the "Payment of Debts," there is no similar restriction for the national government. This opens the door for national government (and its 14th Amendment "citizens") to use other forms of "legal tender".

Third, contrary to the common belief of most constitutionalists, Article 1 Section 10 does not mandate that only "gold or silver" can be used as lawful money. It declares that only "gold or silver **Coin**" can used as officially-mandated media for payment for debt.

Surprised? Read it again:

> "No State shall . . . coin Money . . . [or] make any Thing but gold and silver **Coin** a Tender in Payment of Debts . . . ."

This illustrates that the real value of money is not an intrinsic characteristic of gold or silver but rather of "coins". This distinction was born out in 1934 when government seized our gold bullion, but did not seize our gold "coins". The bullion was gold, but it was not "money". To be "money," the gold had to be "stamped" and certified by government authority as to its value. It's not the gold, it's not the silver that makes the money "lawful"—it's the *stamp*.[1] Once gold is properly "coined" it may be used as "tender" for the payment of debts.

Tender

Note that Article 1 Section 10 refers to "tender," but not "legal tender". Most people assume the terms "legal tender" and "tender" are synonymous. They're not. Some even believe "legal tender" must somehow be "legally" superior to "ordinary" tender. They're wrong.

"Tender" includes money, but it does not mean "money" exclusively. For example, in theory, I could "tender" my car in payment for a painting your had on your mantle. "Tender" means an *offer* which may be *voluntarily* accepted or rejected. Tender is the right and currency of free men. As a free man, you are free to accept or reject my offer (my "tender").

The Constitution mandates only gold and silver coins be officially recognized as "tender" by the States to avoid the confusions of officially recognizing a variety of forms of money. Yes, gold and silver have certain physical properties (durability, divisibility, and scarcity) that make them desirable mediums to use as money. However, the constitutional mandate for gold or silver *coins* is not based on some magical property intrinsic to gold or silver. Instead, anything (including paper) can be "tender" (lawful money). For example, early in our

history, buckskins ("bucks") and even jugs of corn liquor were used as "tender" (money) which one party was free to offer (tender) and the other was free to reject.

Legal tender

However, when the Constitution mandated that, "No *State* shall . . . coin money, . . . or make anything but gold and silver coin a *tender* in payment of debts," it only prohibited the *States*—not the Federal government—from making something other than gold or silver a "tender" for the payment of debts. Further, even if that constitutional prohibition directly applied to the Federal government, it would only prevent declaring something besides gold or silver to be "tender"—there's no similar restriction on "legal tender".

"The Bureau prints approximately sixteen million notes each day. The Bureau has the power to create money and almost any amount of it. The only limiting factors are the speed of the presses, and the public's willingness to accept it."

Government Securities,
U.S. Bureau of Engraving

"Legal tender" means a *fictional* form of money that, by law, *must* be accepted *as if* it were real money ("tender"). There is nothing voluntary about using "legal tender". If I offer to pay your $20 bill in lawful money (a $20 gold coin) you are free to accept or reject my offer (tender). If you're allergic to gold, perhaps you'll refuse my tender. However, if I offer to pay your bill in FRNs ($), you *must* accept those $20 in FRNs as "payment". I don't care if the ink on the paper money gives you hives and causes birth defects in your children, you are bound by law to accept the legal tender FRNs as if they were real payment.

The reason a $20 FRN is "legal tender" is because it's intrinsically worthless and only a fool would accept a $20 paper FRN instead of a $20 gold coin. "Legal tender" implies a legal disability. You are forced by law to accept the legal tender because (prior to the legal tender laws) only a fool would accept paper "money" instead of gold coins or gold-backed currency. By legislating FRNs to be "legal tender," Congress essentially compelled all Americans to become fools and accept worthless currency as if it were lawful money.

If this weren't so, it wouldn't be necessary to *force* Americans to accept FRNs. If FRNs were as "good as gold," why would anyone object? Why would it be necessary to pass a law that compelled folks to accept FRNs? The reason "legal tender" can't be refused is because government knows it is an inferior currency that creates legal disabilities unknown to "tender" (lawful money; gold and silver coins). Where "tender" is the currency of free men, "legal tender" is the currency of subjects, sharecroppers, slaves and fools.

Full legal tender

"Full legal tender" is a term I've only recently recognized and begun to understand. While I can't say precisely what "full legal tender"

means, it's obviously not "tender" or "legal tender" and that's enough information to reach a probable definition. When you compare the terms, it's apparent that "full legal tender" must be more than "legal tender" but yet not "tender".

As I see, it, if

1) Constitutional "tender" implies the exchange of both legal and equitable titles to property through the medium of gold or silver coins; and

2) "Legal tender" implies the transfer of only equitable title property through the medium of paper currency or credit; then,

3) "Full legal tender" should designate the exchange of both equitable and legal titles through a medium other than gold or silver coins.

Graphically, the three mediums should compare thus:

	Tender	Legal Tender	Full Legal Tender
Material Substance	Gold or Silver COIN	Paper or other	Paper or other
Debt/ asset?	Asset	DEBT	Asset
Title(s) conveyed	LEGAL & Equitable	Equitable	LEGAL & Equitable

As you can see, "tender" and "full legal tender" are both assets (not debt-based) and have the same legal effect: Both convey legal *and* equitable titles to property from the seller to the buyer. Thus, buyers who use tender or full legal tender could obtain legal title, legal rights, standing at law, and access to courts of law with regard to their property.

The only difference between "tender" and "full legal tender" is the material substance of the media. Tender is made of gold or silver coins, while "full legal tender" could be manufactured from virtually any physical substance (paper, plastic, aluminum, etc.) and formed as a coin or a sheet of paper or even red rubber balls.

"Legal tender," on the other hand, is made of material other than gold or silver coins, is a debt-based, and has the legal effect of conveying only equitable title to property from the seller (transferor) to the purchaser (transferee). As such, "legal tender" is the least desirable and most dangerous of the three forms of currency. Those who use legal tender will be permanent debtors without legal rights or access to courts of law.

Lessons for all

The lesson in this analysis is that there's no reason why our paper currency must be "legal tender" printed exclusively by the Federal Reserve System. Private banks and the Federal Government have

printed "full legal tender" Bank Notes and "U.S. Notes" in the past, and could therefore do so again.

Thus, even if we accept the various arguments that allege gold is no longer a suitable medium of exchange in our modern society, that doesn't mean we must be condemned to use only debt-based FRNs and suffer the degradation of receiving mere equitable title to our property.

Properly "stamped," paper, fiberglass or mylar could easily serve as "full legal tender" money and thereby restore our right to legal title to property, our legal rights, our access to Law and freedom from the tyranny of bondage to a monetary system of endless, unpayable debt.

Such a restoration could be easily achieved. We'd simply instruct the Bureau of Printing and Engraving to engrave new plates for our "money" that said "United States Note" rather than "Federal Reserve Note" and start printing. These U.S. Notes could be dispersed into the economy through payments to government employees and contractors.

> "Without the confidence factor, many believe a paper money system will eventually collapse. Present experience indicates the system can operate without a gold guarantee however, and that the only confidence required is a firm *conviction* that moneywill be accepted in payment for goods and services.
>
> ***Gold***
>
> **Federal Reserve Bank of Philadelphia**

Simple, no?

In fact, it's so simple we have to wonder why it hasn't been done before. Why does our government prefer to keep Americans in a constant state of debt rather than simply print "full legal tender" cash?

The answer to that question can be inferred from a peculiar coincidence: In 1963, President John F. Kennedy reportedly tried to restore U.S. Notes; just a couple of weeks later he was assassinated.

Apparently, the lesson of that "coincidence" was not lost on subsequent White House residents. Since Kennedy's murder, no President has even hinted at the possibility of restoring lawful money ("tender" or "full legal tender") to the American people.

Does that mean a lawful form of currency is no longer possible for Americans? No. No politician has made a serious attempt to restore lawful money to the American people because the American people are so ignorant about the nature of money, that any attempt to free us from perpetual debt would be politically futile. One man—even the President--cannot single-handedly restore lawful money.

But if the American people could be educated on the nature of money . . . if there were enough public understanding and support . . . it would not only be possible, it might even become necessary for Congress to restore lawful money.

Thus, the only thing standing between Americans and freedom is an understanding of the nature of money. If that education were to propagate, freedom might be restored.

As is usually the case, "My people perish for lack of knowledge."

But, conversely, "My people flourish with full knowledge (and full legal tender)."

While you and I may not understand the money system, if you understand just a little, it's hard to ignore the conclusion that this debt-based monetary system is neither an accident, nor an ideal, but is rather an artful exercise of war against the American people.

[1] This raises an interesting question which I can't yet answer. If gold bullion isn't money until it receives government's "stamp" and becomes a coin, then who really "creates" money? The miner who dug the gold ore out of the ground, or the government that applied its "stamp"? I'm convinced the miner is the lawful owner of the gold. Nevertheless, it appears that the act of "coining" (stamping) the metal disks constitutes the "creation" of officially sanctioned money. And yet, I know government can't "create" money.

So what is there about the application of a "stamp" onto a disk of gold or silver that doesn't create but nevertheless changes bullion into money?

It's only a hunch, but I suspect the "stamp" may constitute a "seal". If so, that "seal" has legal implications in contract law. For example, a "seal" is construed to be a "consideration"—a fundamental requirement for a valid contract. If a contract contains a proper "seal" no further consideration in money or property may be necessary to validate the contract. Therefore, if a contract were denominated in lawful money ($)), is the real "intrinsic" value of that money the fact that it contains an official "seal" to validate the contract?

It's not the gold, it's not the silver that makes the money "lawful"—it's the *stamp*. But does that stamp constitute a "seal"? If not, what "magical" property does a "stamp" provide?

War Bonds Bind

by Alfred Adask

I doubt that 20th Century warfare would have been possible without a credit-based monetary system. Historically, without credit, the only way a nation could normally fund a foreign war of aggression would be based on whatever wealth was accumulated in their government's treasury. To initiate a foreign war (with all the attendant logistical costs of transport, feeding, arming, and paying the soldiers, etc.) would require a government to have a huge treasury.

But how would the government accumulate all that money except by taxing its own people? If government took enough money from its own people to fund a foreign war, two things would happen:

1) while the taxes were imposed and accumulated, the nation's own economy would be impoverished; and

2) the overtaxed, impoverished people would be unwilling to fight for their government—i.e., their loyalty and morale would be so poor, they'd probably retreat or surrender rather than fight in the foreign war.

Thus, the result of overtaxing it's subjects would be a loss of the economic strength and public support that's absolutely necessary to initiate and win a foreign war.

Further, while imposing a tax sufficient to fund a foreign war, a government would necessarily accumulate a lot of gold in its treasury before the war was actually declared. However, all that money in the government treasury would create a strong incentive for some other foreign government to initiate a war in order to seize the accumulated gold as plunder.

Since the local populace would be demoralized by high taxes, the local government could not count on public support to fend off an invasion. This public discontent (caused by high taxes) would provide another *incentive* for a brash foreigner (or perhaps a domestic revolutionary or political rival) to attempt to overthrow the existing government. Result? By raising taxes, a government might precipitate its own destruction. Therefore, war should be less likely in a gold-based monetary system

On the other hand, if government could fund foreign wars with *credit* (fight now, pay later) it would not need to overtax and impoverish its people before the war and thereby lose their loyalty and fighting spirit. Instead, leaders like Lyndon Johnson could promote our ability to have "guns and butter" and lead most folks to assume the proposed Viet Nam war would be economically painless.

All government would have to do is print more money, spread patriotic propaganda about "fighting for democracy", and march a bunch of trusting, foolish kids overseas to lose legs, ingest Agent Orange, be left behind as POW's, or perhaps jeopardize their souls by killing "enemy" soldiers for reasons as lame as the 1960's "Domino Theory".

If our kids were wounded, killed, or captured—tough. The important thing was the war was initiated, more money was borrowed, and the American People were further indebted (some say "enslaved"). All this, through the modern miracle of credit-based warfare.

The truth is probably this: You could not have one "world war" (let alone two) without first creating a *credit-based* money system. Korea, Viet Nam, Agent Orange, posttraumatic stress syndrome, POWs, Gulf War Illness—without a debt-based, unlimited credit money system, none of these would be likely. Without a credit-based monetary system, the hundreds of thousands who lost their lives or were permanently crippled in 20th Century conflicts would probably have lived longer and more fully.

And it's probably not only the United States that's guilty of credit-based warfare; I'd bet that the post WWII global expansion of "Evil-Empire Communism" was funded by a generous line of credit from one or more banking systems. Without *credit*, how else could it have happened?

Why that credit may have been provided to the Soviet Union is debatable. But if those reasons persist and the USSR is gone, how would the powers that be create a new threat to the Western World? By providing enormous credit to a potential adversary. What potential adversary remains besides Red China? Is the international banking community providing credit to China?

Throughout the Clinton administration, the answer was Yes. In late 2001, the Bush administration helped give China a stronger position in international trade. With that stronger position will come enhanced access to the world bankers' credit.

China should be very careful. With enhanced credit, China may be lured into conflict world bankers who've never yet been beaten.

IMF Colonizes Korea

(and Indonesia, Japan, Russia, etc. etc.)

by Alfred Adask

Here's an article you'll never find in the mainstream press. Not because it's so radical or politically incorrect, but because parts of it quote an agreement between the International Monetary Fund (IMF) and South Korea and are boring. In fact, in places, reading this article is like trying to chew through a bale of hay.

And so, no sensible editor would publish it. Most readers simply won't read it, won't enjoy it. Not enough "action". It's bad for bidness.

Maybe so, but there's valuable content, insight, and implication in this article. This article outlines a war, surrender, and capture of an entire nation. Ohh, this article won't read like a script for a Rambo movie, full of bullets, bombs, and special effects. But this isn't Hollywood war; this is the real thing. This is a real war fought according to ancient principles outlined around 300 B.C. by the Chinese warrior-king Sun Tzu in his book, "The Art of War."

According to Sun Tzu, the highest form of warfare is that which overcomes your enemy without ever resorting to overt violence. In other words, any fool can win wars with firepower, but only a genius can wage and win war without firing a shot.

Well, so far as I can tell, the IMF defeated Korea in a battle that was so "artful" that not only was no shot fired, but most of Korea and all the world doesn't even realize a war was being fought. Closely examined, the 46-page document outlining the agreement between the IMF and South Korea is a peace treaty containing the terms of Korea's surrender to the IMF—a grand master of the highest form of war.

All of which may be interesting, but why should Americans care whether Korea was defeated in a bloodless war? Because America may have suffered a similar bloodless defeat when President Franklin Roosevelt seized our gold in 1934. But if not, the IMF has almost certainly planned a similar coup for every other nation in the near future—including the USA.

The International Monetary Fund (IMF) is generally viewed as an organization that "gives away" money to nations that are "developing" or recently destabilized by their own financial mismanagement. In 1998, the IMF was in the news for its repeated attempts to stave off financial chaos in Indonesia, Korea, Japan and Russia by injecting capital into those unstable economies.

According to the *Wall Street Journal* (4/23/98), U.S. taxpayers currently provide $35 billion to the IMF, the largest share of the IMF's bankroll. In doing so, "[T]he U.S. ends up subsidizing the IMF's growing practice of making large loans at low interest rates to very risky economies—such as Russia, Thailand or Indonesia. The IMF loans that money to client countries at a rate currently averaging about 4.7%—far below what risky economies . . . would otherwise pay in the marketplace to borrow funds. . . . Were the U.S. to lend these funds directly in world markets, instead of channeling them through the IMF, the U.S. would either make a lot more money in interest, or take a lot less risk."

Presumably, the IMF's benign purposes justify the financial burden placed on the American people. That is, by providing our money to help stabilize countries like Russia and Japan with irresistibly cheap loans, we preserve the foreign markets and manufacturers necessary to maintain our own standard of living.

But others disagree. To receive IMF loans, "client countries" must accept a measure of IMF "advice" (actually, control) on how to run and improve their faltering economies. In March, 1998, former Presidential candidate Steve Forbes wrote, "The advice offered by the IMF and the Clinton-Gore Administration to troubled Asian economies has made things worse, not better. . . . Why should hard-working middle-class Americans subsidize destructive institutions and bail out sophisticated, multinational investors and speculators? Why should middle-class taxpayers subsidize deadly prescriptions that are hurting others and will eventually hurt themselves?"

As quoted by economist James L. Green, the *Economist* magazine "alleges that the IMF is likely to cause more problems than it solves. The *Economist* also notes that global bankers are first-in-line to make loans in developing economies at hefty interest rates, and first-in-line to *force bankruptcy* when those loans fall into arrears. "They only need await the IMF bailout. Then they line up to buy assets at dirt-cheap prices. . . . Bargain basement buyouts of financial companies, retail and international firms and manufacturing corporation are everywhere on the block. For the most part, the buyers are American multinational corporations."

Other sources agree that the IMF is privatizing the gains derived from its loans, and socializing the losses. In other words, if the IMF loans money to a struggling nation, the primary beneficiaries of those loans will be private, multinational corporations who buy the nation's properties at dirt-cheap prices. However, if the struggling nation falls into bankruptcy despite the IMF loan, who gets stuck paying for the loss? The society of common taxpayers who provided the money in the first place.

Even those who receive the benefit of the IMF's generosity don't always regard the IMF as a wise, loving benefactor. According to the

November 7, 1997 *Wall Street Journal*, "The son of Indonesia's President Suharto takes his country's woes personally: He sees the IMF bailout of his country, in part, as 'an attempt to sully our family name in order to indirectly topple my father.'"

That sort of ungrateful carping about receiving cheap loans seems ludicrous, even paranoid. However, Suharto's son is not alone in his accusations. Other nations (like the U.S.A.) who seem to be endlessly contributing the money the IMF donates, also view the IMF as something vaguely sinister and conspiratorial. Judging by one of the IMF's own documents, they're probably right.

In 1997, like several others of the "Asian Tigers," South Korea very nearly slipped into complete financial collapse. To avert that national bankruptcy, the IMF offered to provide South Korea with a $55 billion loan "package". However, that loan was not welfare. Instead, it was premised on Korea's acceptance of various new rules and some shocking political and economic concessions.

As a practical matter, South Korea's economic survival was guaranteed—if South Korea agreed to surrender its economic and political sovereignty to the IMF. The IMF agreement caused considerable dissent among Koreans concerned with losing their nation's sovereignty. But eventually, faced with the alternative of national bankruptcy, the agreement was accepted, the loan received, the economy sustained, and sovereignty surrendered.

Although the proposed 46-page IMF agreement was marked "STRICTLY CONFIDENTIAL" and "NOT FOR PUBLIC USE," the Korean newspaper *Chosun* published a photocopy of the document on the Internet (http://www.chosun.com/ feature/imfscan/report1.htm). Reading that document provides another lesson on how "real world" economics actually works. There are no graphs or mathematical models. The IMF "arrangement" is not an exercise in intellect—it's pure extortion. Like the Marlon Brando character in the movie *Godfather*, the IMF made South Korea an offer it could not refuse.

The IMF document is too long to reproduce in its entirety, so I'll just pull a few sections out of context and add my comments.

While many readers may view the plight of South Korea with indifference, it is reasonable to assume that the IMF enforces similar rules and extracts similar political and economic concessions over any nation it touches—including the USA.

> **Page 2.** "The Korean authorities have requested a 36-month stand-by arrangement with the Fund [the IMF]."

Point: Officially, the IMF didn't offer to help; Korea "requested" the IMF's assistance. That is, Korea (seemingly) "voluntarily applied" for the IMF protection. That being so, it's very hard to blame the protector for any subsequent problems. After all, much like a mom-and-pop grocery store whose windows keep on breaking, Korea *asked* for IMF protection and therefore "eliminated" the IMF as a suspect for breaking the windows.

> **Page 3.** Background. Generally speaking, the IMF applauds Korea's recent economic performance, but notes that since the beginning of 1997, "an unprecedented number of *highly leveraged* conglomerates have moved into bankruptcy," due in part to "a weakening in profitability associated with the cyclical downturn." These bankruptcies "severely weakened the financial *system* . . . cut the value of the banks' *equity* and further reduced their net worth. . . . The weak state of the banking sector has led to successive downgrades of Korean financial institutions by international credit rating agencies and a *sharp tightening* in the availability of external finance."

I suspect the IMF's "background" explanation contains a fundamental lie. The IMF implies that the troublesome conglomerates were first, 1) "highly leveraged" (they had access to more *credit* than their actual economic performance warranted); then 2) afflicted by a "cyclical downturn"; which later 3) precipitated the conglomerates' bankruptcies; and finally 4) caused a "sharp tightening in availability of external [foreign] finance [credit]" to the entire nation of Korea.

Sounds reasonable, but who ultimately provided the excess credit to the unworthy conglomerates? I'd bet it was the *international* (not Korean) banking community. And why did the Korean conglomerates fail to anticipate the economy's "*cyclical* downturn"? If it were an *unexpected* downturn, the conglomerates might be caught off guard, but a "cyclical" downturn implies the presence of a broadly recognized and predictable business cycle that all major conglomerates and banks should routinely anticipate and guard against.

But, somehow, those dumb ol' Korean conglomerates, officials, and banks didn't anticipate the "cyclical downturn" and prudently restrict their use of credit. Instead, the downturn hit, the conglomerates went bankrupt, the entire Korean banking system trembled—which caused the international bankers to "sharply tighten" credit to Korea and almost precipitate a national collapse—which caused Korean officials to "request" the benefit of IMF protection.

This scenario sounds a lot like standard sales techniques by drug dealers. First, you give the young girls free drugs to get them addicted. Then, you cut off the supply. Finally, you virtually force the girls to support their addiction with prostitution. And of course, you blame the girls for being sluts, high school dropouts, etc.—but you never blame the pimps.

I suspect the international banks loaned Korea more credit than it could handle, and then "sharply tightened" the supply of credit to force Korea to "request" a job as an IMF whore.

As you'll see, if that weren't true, why would the IMF impose financial and political restrictions that virtually destroy Korea's claims of sovereignty? When you see the terms imposed by the IMF "arrangement," it's obvious that the IMF is not "here to help you".

Page 4. "The [Korean] authorities' policy response [to the conglomerates' bankruptcy] was piecemeal and failed to *calm* markets. . . . [and] did little to restore market *confidence*." [emph. add.]

Page 4 included the first of fourteen references to the IMF document's dominant theme: The need to maintain *public confidence* in the market and financial *system*.

Why is confidence so vital? Because all modern banking is 1) based on the imaginary concept called "credit" (actually, debt); 2) thanks to fractional reserve banking, there are at least ten "credit" dollars in circulation for every "paper" dollar that's deposited—and there are NO *real* dollars (gold, silver, or substance) to back up any of it.

Therefore, the whole "system" depends on "confidence" because it's all based on the average man's belief that the "dollars" in his wallet and bank account are *real*. No amount of talking or reasoning is likely to convince the average man that his dollars (and the money system, and the government that supports it) aren't "real". However, in the event of a serious financial collapse, circumstances could quickly prove his "dollars" are imaginary when he tried to extract his money from the bank and found out it was not only missing, but it never even existed. Therefore, a financial collapse could be so revealing that it must be avoided at all costs.

Page 5 To "save" Korea, IMF objectives included:

- ". . . building the *conditions* for an early return of confidence . . ."

Note that the IMF is not merely building confidence, it's building "conditions" (structural changes in the Korean political and economic system) that instill public confidence. That sounds nice, but "structural changes" in an economy or political system can be fairly described as "revolutionary".

- ". . . a strong macroeconomic framework designed to continue the orderly adjustment in the external current account;" I.e., guarantee to repay the international bankers ("dealers") who improperly loaned Korea so much credit in the first place.

- "A comprehensive strategy to restructure and recapitalize the financial sector." Sounds nice, but it means the Korean banking system will submit to a reorganization including new (foreign) control. How else can the nearly bankrupt Korean banks "recapitalize" except by borrowing *foreign* "money"? Once the Korean banks become borrowers, they become servants to (and controlled by) the foreign lenders.

Page 6 Korea's "day-to-day conduct of monetary policy . . . will be implemented in close consultation with the [IMF] staff." ("Close consultation" means the IMF will control Korean monetary policy.)

". . . [I]ncreases in mineral oil taxes and excises yielding about ½ percent of GDP [must] come into effect. Additional measures would focus on reducing current expenditures [government benefits], raising current revenues [taxes] by broadening the tax bases [taxing more people and products] rather than increasing tax rates . . . ."

However, as a "contingency measure," the Korean government could raise "indirect tax rates and excise tax . . . by up to 30 percent."

Translation: Korea will simultaneously increase the average Korean's taxes and reduce his government support. This squeeze will force common Koreans to pay for the excess, incompetence or conspiracy of Korea's conglomerates, government, and bankers. The conglomerates, government officials, and Korean bankers may have volunteered to become the IMF's call girls, but the common people were involuntarily drafted into the ranks of IMF streetwalkers.

Page 8 Financial Sector Restructuring—the heart of the IMF's "arrangement". Remember the old Rothschild quote, "Give me control of the nation's money and I care not who controls the government"? Well, by "restructuring" Korea's "financial sector," the IMF takes virtual control of Korea's money. The IMF restructuring strategy "comprises three broad elements:

1) A "clear and firm exit policy" which "seeks to ensure the rapid resolution of troubled financial institutions in a manner than minimizes systemic distress and avoids moral hazard. . . . [M]erchant banks that are unable to submit *appropriate* restructuring plans within 30 days will have their licenses revoked. . . . [T]his policy will include mergers and acquisitions by domestic or *foreign* institutions. The supervisory authorities [IMF] will review such mergers and acquisitions to ensure that the new groupings are economically viable. This process will entail losses to [Korean] shareholders."

In other words, any bank that doesn't toe the IMF line within 30 days will be closed. Financially troubled institutions and banks may be acquired by *foreigners*. No proposed merger between one or more Korean institutions or banks will be allowed without the IMF's approval. Korean stockholders *will* lose money—get used to it.

2) To provide "strong market and supervisory discipline," the Korean authorities "will request *urgent* passage of a bill to set up an agency that will *consolidate* the supervisory functions presently distributed among various agencies. The legislation will give the agency operational *independence* and adequate resources—in line with [the IMF's] Core Principles for Effective Banking Supervision—thereby freeing it from *outside* interference."

Because circumstances are "urgent," there's no time to waste on debate or consideration. Korea must quickly pass laws to create a *central*, *independent* bank supervisory agency that is free from "outside" interference of the Korean people or government and subject only to the IMF. I.e., Korea must surrender control of their entire monetary system to a new central agency that sounds virtually identical to America's Federal Reserve System.

3) "[T]o promote competition and efficiency in the financial sector, the authorities will allow *foreigners* to establish bank subsidiaries and brokerage houses . . . ."

Thanks to the IMF, Korea's previous policy prohibiting foreign banks will be abandoned. Now foreign banks can feed off the Korean people. Korea was thereby colonized.

> **Page 10** Capital Account Liberalization. "The government has announced that the ceiling on aggregate *foreigner's* ownership of listed Korean shares would be increased from 26 percent to . . . 55 percent . . . . The ceiling on individual *foreign* ownership will be increased from 7 percent to 50 percent. . . . [and] eliminate restrictions on *foreign* borrowing by corporations."

A single foreigner can now own up to 50% of a Korean corporation; two or more foreigners can collectively own up to 55% (controlling interest). Korean corporations, which could previously borrow only from Korean banks, will now be allowed to borrow (and become servant to) foreign banks. Korea can now be owned, operated and controlled by non-Koreans. (The sun never sets on the IMF empire.)

> **Page 11** Labor Market and Other Structural Reforms: "To facilitate the ability of the Korean labor market to respond to changing economic conditions, labor market flexibility will be enhanced by easing dismissal restriction . . . ."

Translation: It will be easier to fire common Koreans. Labor market "flexibility" is just another way of saying, "Sayonara, suckers!" Korean corporations will generally be saved; Korean workers will be sacrificed.

> **Page 14** Staff Appraisal: "The bold actions already undertaken by the government, and expeditious implementation of the government's [actually, the IMF's] announced policy package should provide a solid basis for the early return of *confidence*. Sustaining a strong macroeconomic stance is essential for restoring *calm* to markets and providing the *stable financial conditions* to support much needed *structural reforms*."

Translation: The IMF can't "colonize" Korea (i.e., implement "needed structural reforms") unless the country seems sufficiently stable for ordinary Koreans to remain "calm". I.e., "structural reforms" can't take place if "blood is running in the streets". This implies that economic colonization is a fine art: first, create a very serious threat of national bankruptcy; second, prevent that bankruptcy less unpredictable populist forces seize control in the chaos; and third, under the guise of "saving" a nation, restore enough calm where the public will sit still while their nation is "restructured" into an economic colony.

(I can't read the Korea-IMF document without thinking of what happened to the U.S.A. after the "Great Depression" of 1929 and the "New Deal" of 1933. Was that when our government sold our money, banking, and sovereignty for a "political and financial restructuring"?)

> "It will also be *critical* for the major political leaders, who have pledged their support for the policy package, to *garner public support* for the program."

This is the only point in the IMF document where the word "critical" is used. Again, the "critical" need for "public support" is just another way of reiterating the need for public "confidence".

Page 15 The IMF "policy package" also mandates elimination of "government intervention in lending decisions or subsidies and tax privileges to bail out individual corporations."

Apparently, prior to Korea's 1997 crash, the Korean government routinely bailed out favored (big) Korean corporations which slipped into financial difficulty. The IMF says this kind of government favoritism is wrong and must be stopped. Hear, hear!

But. What will happen when the spoiled, wealthy Korean corporations can't get the money they need to survive from the Korean government? They'll go to the Korean banking system which, for all practical purposes, is now owned and operated by the IMF. And I'll guarantee the IMF will give the necessary money to favored corporations —provided those corporations sing the IMF's party line.

Point: By disrupting previous financial alliances between Korean corporations and the Korean government, the IMF has diminished the government's power, and subtly created an incentive for those Korean *corporations* to ally themselves with the IMF. Under the IMF's beneficence, what had previously been "nationalistic" Korean corporations will probably evolve into "multinational" (IMF) corporations with loyalty to no government or people—except the IMF. (Can you say, "Divide and conquer," boys and girls?)

> **Page 16** "The present broad reform and liberalization program . . . represents a strong beginning, but its strict and sustained implementation will be key to building the financial and corporate sectors that are needed for Korea to meet the challenges of *globalization*."

Apparently, the IMF's real objective is not to "help" Korea remain Korean or sovereign, but to "help" Korea to become "globalized", colonized, and "homogenized" into the undifferentiated mass of "useless eaters" who will one day populate the New World Order. ("Better living through banking," hmm?)

> **Page 31** "To support these objectives and policies the International Monetary Fund *grants* this stand-by arrangement in accordance with the following provisions:
>
> " For a period of three years . . . Korea will have the right to make *purchases* from the Fund in an amount equivalent to SDR (Special Drawing Right) 15,500 million . . . ."

However, if Korea violates any of the terms of the IMF policy, "Korea will not make purchases under this stand-by arrangement."

In other words, if Korea doesn't play nice, the IMF will withhold the credit needed to keep Koreans calm enough to suppress their urge to hang their government officials.

The cowardly Korean government sold Korea to the IMF for a bowl of pottage. Korea is literally buying *nothing* from the IMF except an *illusion* of (false) confidence to be instilled among the Korean people. In return for this magnificent illusion, Korea surrendered its sovereignty and banking system (money).

In essence, the Korean government 1) exploited its own people; 2) feared their people would discover the exploitation and lynch the government; and therefore, 3) sold Korea to the highest bidder (the IMF) to conceal the exploitation and save their skins. Korea's rich and powerful were afraid they'd be held accountable for their financial misdeeds, and rather than face the music, so they sold their country for 15,500 million of the IMF's Special Drawing Rights. (How much is that in pieces of silver?)

Page 38 "[T]he *contagion effects* of developments in Southeast Asia contributed to the current crisis . . . ."

The economic problems simultaneously faced by Indonesia and Japan helped create a panic (failure in *confidence*) in the Asian economy in general and Korea in particular. Point: Because this fractional reserve, credit-based financial system is (unknown to the public) built on nothing more substantial than promises (debt), it is extraordinarily fragile and vulnerable to any loss of public confidence since that loss is contagious.

If anyone dares to report the Emperor is nude, the entire population will suddenly admit seeing the Emperor's tinkler. At which point, the crowd will start howling for the heads of the guys who charged taxpayers exorbitant fees to drape their favorite Emperor in nonexistent clothing . . . and the game is up.

When I read the IMF "policy package" closely, I can't help but feel a measure of remorse—not only for Korea, but also for every other nation seduced by the IMF and it's patrons, the international banks and multinational corporations. We've all been hustled. Every American surrenders over $100 in taxes to the IMF and gets little in return. The foreign nations who receive the IMF loans must surrender their economic wealth and political sovereignty.

And most fantastic of all, we are all being impoverished through the use of "loans" of nonexistent "money". You and I work long hours —we surrender our *lives*—to be paid in the pottage of intrinsically worthless paper and electronic "money". Korea and other IMF beneficiaries surrender their political sovereignty and economic wealth to borrow the intrinsically worthless pottage we worked to "earn". Only a handful of bankers and multinational corporations benefit from this financial con-game.

And what is a "con-game"? It's a "*con*fidence game." A racket designed to extort wealth and property from the producers and lawful owners for the benefit of a nonproductive criminal element. And what word appears fourteen times in the IMF-Korean document? *"Confidence."*

Public *confidence* must be maintained in the financial system. At all costs. At any cost. *Confidence* must be maintained. Why? Because the monetary system is a *con*-game. Lose the *con*fidence, and the system collapses and falls back into the hands of producers rather than parasites.

Once you start studying the money system, the implications are so fantastic, you may doubt the evidence and your own sanity before you'll believe your eyes. And yet, if you're willing to see, the evidence is unavoidable. Our entire financial system is a con-game. And worse, no "game" at all. We are being systematically impoverished and virtually enslaved by the people who serve or control the monetary system. I am simultaneously convinced this is true and almost unable to believe it. After all, how could such a massive fraud continue without the average American having a clue?

Mass media

Until I began to understand the money system, I didn't believe the mainstream media was *controlled*. But the money system is a fraud from top to bottom and totally dependant on public *confidence*. Modern money isn't a substance, it's a faith, a religion, a cult. It's the heart of darkness behind the world's ills that could not exist unless the mainstream media refused to expose the fraud.

It's one thing to perish for lack of knowledge if we're too lazy to study or too stupid to learn. It's quite another to perish because the teachers we trust and the system they represent could not survive our understanding. To the extent our debt-based monetary system depends on public confidence, *public ignorance must be institutionalized public policy*. That policy could not exist without the support of mainstream media.

Who killed President Kennedy? What really happened to Flight 007 or Vince Foster? Who was really responsible for Ruby Ridge, Waco, and the World Trade Center and Oklahoma City bombings?

These are all intriguing and important questions. But the secrets they imply are insignificance beside the secrets you touch every time you open your wallet. Those green pieces of paper, the plastic cards and the handwritten checks we use to purchase our groceries and new cars contain the biggest secrets in our mortal life: fraud, extortion, loss of title, rights, law and sovereignty. It's all there, right in our pockets, hidden (as Poe would say) "in plain sight".

For the most part, we don't understand, we don't even suspect. But if we do "see" even a little, the implications are so enormous, we are virtually unable to believe our own perceptions.

If secrets of such magnitude can exist in this "information age," they could not be sustained without media control. The public "confidence" on which debt-based money systems depend could not be maintained without media control. If our money system is as fraudulent and sinister as many believe, those secrets could not persist by accident. The inference is unavoidable: at least among the top positions of editors and corporate administrators, the mainstream media *must* be controlled. ▪

Comprehensive Annual Financial Reports

"In its 60-year history, the Federal Reserve System has never been subjected to a complete, independent audit, and it is the only important agency that refuses to consent to an audit by the Congress' agency, the General Accounting Office . . . . GAO audits of the Federal Reserve will, moreover, fill the glaring gap that now exists in our information about the Fed's activities and programs. As things now stand, the only information that we get on programs of the Fed is what the Fed itself wants us to have.

Congressman Wright Patman
Congressional Record (May 5, 1975)

"In the United States 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. "

Congressman Wright Patman,
Chairman, House Banking and Currency Committee

Comprehensive Annual Financial Reports

by Alfred Adask

As editor of the *AntiShyster* and *Suspicions* magazines, I've seen so many "unbelievable" stories since 1990 that I've become jaded, cynical and worldly. There are no surprises left for me. I'm sure I've seen it all. I've thought so for several years.

But generally speaking, about every two or three months, life proves me absolutely wrong by showing me another story so awesome that I'm left (almost) speechless. This article (originally published in 1998 and slightly updated for republication in 2002) introduces another one of those stories so awesome that it's right off the Richter Scale.

Walter Burien Jr. worked as a Wall St. commodity trader for fifteen years, but now resides in Arizona. According to Mr. Burien, every state, county, and major metropolitan city is keeping *two* sets of books. One set (the "Budget") is commonly available and tracks each governmental entity's costs and tax revenue. The Budget is the financial record that's seen by the public and used by politicians to justify new governmental services and higher taxes.

However, there is a *second set of books* called the "Comprehensive Annual Financial Report" (CAFR). This CAFR is virtually unknown to the public but contains the real record of total governmental income. According to Mr. Burien, although the Budget gives a fairly accurate projection of government expenses, only the CAFR gives an accurate account of government's income.

For example, while a particular state Budget might report receiving $20 billion in taxes (just barely enough to sustain its $20 billion costs)—the CAFR might reveal the state's real income is in the neighborhood of $60 billion—*three times* as much as reported on the Budget. If these kinds of allegations are accurate, the particular state

could stop charging all the taxes we are familiar with, and not only survive, but either double the amount of reported government services or give every citizen a huge tax rebate.

The implications are mind-boggling. They'd mean our world is so different from what we are led to believe, so much more corrupt than even I suspect, that we are left with three choices, either, 1) government agrees to end the deception and stop overtaxing us; 2) the American people agree to accept their status as slaves; or 3) both sides refuse to agree and precipitate a shooting revolution.

The issue is that big. They are more evidence of economic war waged against the American people by their own government.

But. Are Mr. Burien's allegations correct? How could any governmental entity dare to routinely overcharge its citizens by 200%, underreport its income by 2/3rds, and knowingly press for higher taxes based on an inaccurate Budget? Worse, how could such a fraudulent system become widespread among all states, counties, big cities, and even the Federal Government?

When you stop to think about it, Mr. Burien's allegations are too fantastic to be credible.

Nevertheless, I talked to Mr. Burien by phone for several hours and found him to be articulate, knowledgeable, and sincere. I asked a retired professor of economics to interview Mr. Burien and evaluate his allegations. The professor's assessment? Burien is probably correct. I steered an Alaskan M.D. (who is also a dedicated constitutionalist researcher) to Mr. Burien. The Doctor subsequently found evidence supporting Mr. Burien's claims: The state of Alaska and the city of Anchorage both use Budget/CAFR dual-accounting systems that conceal a "breathtaking" difference in reported revenue. Another researcher in Wyoming claims a comparison of his state's Budget and CAFR support Mr. Burien's arguments. In every case, there are two sets of books and the income reported on the Budget is millions or even billions of dollars less than is reported on the CAFR.

Does this support prove Mr. Burien's extraordinary allegations? No. But they lend enough credence to publish his allegations to a broader audience who will do more research to confirm, refute or refine those allegations.

What follows is an amalgam of statements or implications raised by Mr. Burien on our telephone conversation, through his email, or Tom Valentine's radio interview of Mr. Burien.

Walter Burien reports first discovering the CAFR report in New Jersey in 1989, when he helped start a New Jersey tax protest group called "Hands Across New Jersey". While involved with that group, Mr. Burien read the state's Annual Budget and found that the total cost of all public services was $17 billion and the "net available" (the money on hand to pay bills) was $24.6 billion.

But then he asked first question the IRS asks in any audit: "What are the *gross* receipts?" He added figures from various sources and

came up with about $44 billion and began to wonder how the state could have a $17 billion in costs, $24.6 billion in cash on hand, and $44 billion annual income. The numbers didn't make sense. Why should a state that had $17 billion in annual costs and $44 billion in revenue be pushing to raise taxes? So Mr. Burien began to dig deeper.

Because his father had been Personnel Manager for the New Jersey State Treasury for eight years, Mr. Burien understood how to get around in the various government departments. So, when the state Director of the Budget was on vacation, Mr. Burien called one of his low-level assistants and said, "I'm working on a report for Richard [the vacationing Budget Director] and I need all the figures on the autonomous agency accounts, interest accounts, investments accounts." When the assistant heard the name "Walter Burien," he assumed he was talking to Walter Burien Sr. (the State Personnel Manager) rather than his son Walter Burien Jr. (the tax resistor).

The assistant replied, "Ohh, sure, Mr. Burien—you want the Comprehensive Annual Financial Report."

This was the first time "Jr." had heard of "CAFR" but he quickly said, "Yes" and the assistant mailed it.

When the Comprehensive Annual Financial Report (CAFR) arrived, it showed New Jersey had liquid investment funds (cash) of $188 billion; common stocks worth $70 billion; $10 billion due from loans to public and private corporations; and $14 billion in insurance company equity participation. The little State of New Jersey, which admitted to less than $25 billion in annual income on its Budget, reported almost $300 billion in cash, stocks, loans, and insurance equity on its CAFR.

> "What sort of institution, Sir, is this? It looks less like a bank than a department of government. It will be properly 'The Paper Money Department.' Its capital is government debts; the amount of its issues will depend on government necessities; government, in effect, absolves itself from its own debts to the bank, and by way of compensation, absolves the bank from its own contracts with others. The government is to grow rich, because it is to borrow without the obligation of repaying, and is to borrow of a bank which issues paper without liability to redeem it. Sir, I can view this only as a system of rank speculation and enormous mischief."
>
> **Daniel Webster**
> **Congressional Record (March 4, 1846)**

According to Mr. Burien, "On that day, I learned the definition of syndicated organized crime."

The scam worked something like this: Anything that was a *cost* or *expense* for public services (the traditional side of the Annual Service Budget, such as the Department of Transportation, health and welfare, etc.) was reported on the Budget where public taxes paid 100% of the bill for those services. That was $17 billion.

However, any governmental agency that was a *profit center* (the Port Authority for New Jersey, the New Jersey Turnpike, an investment account, etc.) that generated non-tax revenue was "restricted by statute" from being reported in the Annual Budget. Why? Because the state legislature passed laws to prevent reporting the income from profit centers on the Budget. Instead, income from these profit centers was disclosed only on the CAFR.

But even that disclosure was not immediately apparent. For example, when Mr. Burien looked for New Jersey's "gross cash receipts"

in the 1989 CAFR, he found the figure buried on page 174, under the "Waste Water Treatment Trust Fund." It showed the amount of the total cash receipts for 1989 from all 69 autonomous state agencies and departments was almost $87 billion. In other words, New Jersey was charging $87 billion to provide $17 billion in public services. New Jersey citizens were paying $5 for every $1 in services they received, while the state pocketed the other $4 as "profit".

The CAFR also reported the state owned $32 billion in common stocks—but this figure was footnoted. The footnote revealed that the stocks were valued according to their original purchase price, not *current* market value. In other words, if the state bought a stock in 1968 at $10 a share and it's worth $50 a share now, they still report it on the CAFR as worth $10 a share. Burien determined that the true market value for the "$32 billion" in stocks reported on the New Jersey CAFR was actually about $70 billion.

To believe or not to believe . . .

Mr. Burien's claims concerning New Jersey are incredible and also dated. Why New Jersey kept two sets of books back in 1989 is an intriguing but not particularly compelling question. After all, the allegations are over ten years old, and relatively few of us live in New Jersey. As a result, Mr. Burien's discoveries might be dismissed as curious but largely irrelevant.

But Mr. Burien goes further—he claims the dual system of books was not unique to New Jersey, but also common among all fifty states. Moreover, he claims the dual accounting system was not only used in 1989, but is still being used *today*.

For example: "In 1987 Arizona's annual Service Budget reported $2.8 billion in revenues but the state's 1987 CAFR reported total cash receipts of $3.1 billion—a mere $300 million difference."

"However, ten years later, Arizona reported a 1997 Annual Service Budget of $5.5 billion while the State's CAFR (printed by the Auditor Generals Office) showed Total Gross Cash Receipts of $17 billion. That's a difference of over $11 billion. In just ten years, Arizona had caught up to New Jersey in that both states' Annual Budgets reported less than *one-third* of the actual gross income seen in the states' CAFRs."

"CAFR reports indicate that the composite totals for all government (Federal, state, county and city) ownership of publicly traded stock exceeds $32 trillion (53% of the total ownership of all listed stocks), $8 trillion in insurance company equity (should we be surprised that high-priced auto insurance is mandatory or health care unaffordable?), and $5 trillion in Bond Surety Escrow Accounts for future liability of existing or potential debt.

Governments use Bond Surety Escrow Accounts to evade that pesky little rule that government should not operate at a "profit" (impose more taxes than it actually uses to run the government). By designating tax revenue that exceeds current operating costs as "Bond Surety Escrow" for *future* liability, government avoids calling excess revenue a "profit" and thereby continues to enrich itself at public expense.

Ask not for whom the road tolls

To illustrate the potential for abusing "future liability payments", consider the New Jersey's plan in the 1950s to build the New Jersey State Turnpike and Garden State Parkway Authorities. The state asked voters to approve a $7.5 billion bond to construct the turnpikes. The state explained that these turnpikes would be operated as toll roads by the bondholders until the $7.5 billion bond was paid off—but the bondholders were prohibited by law from operating the toll roads at a profit. Thus, all the turnpike income should have gone to repay the turnpike bond. Then, once the bonds were repaid, the turnpikes would revert back into the state's Annual Budget as a normal cost/revenue item. The public voted Yes.

Over the next thirty-some years, the state sometimes alleged that the toll revenue from operating those turnpikes failed to cover their operating expenses, and so additional bonds were passed to fund the turnpikes. As a result, by 1990—despite collecting tolls for over 30 years—the original bond liability of $7.5 billion owed on the turnpike had grown to $14.5 billion.

But guess how much was in the Bond Surety Escrow Accounts? *$38 billion!* Enough to repay the original $7.5 billion bonds almost four times.

How could that happen? Like this:

Say the toll road made a $400 million profit for the year and the scheduled annual payment on the $7.5 billion bond was $100 million. The state made the $100 million bond payment but kept the extra $300 million in a Bond Surety Escrow Account for "future liability payments." The idea behind this "future liability payment" account was to keep enough "extra" money in the kitty in case the toll road didn't earn enough money some year to satisfy the annual $100 million bond payment. Then, rather than depriving bond-holders of their guaranteed annual income, the State would simply reach into the "future liability" piggy bank and pay whatever extra was needed to reach the $100 million figure.

Sounds sensible enough.

However, although the toll road earned $400 million, the bondholders received their $100 million and the state kept the $300 million remainder, they did not declare it as an *asset* but wrote it off as a line-item *payment*. The "extra" $300 million would "disappear" from the budget and most accounting records. In other years, even though the toll road made a profit and/or they still had plenty of "extra" millions in the "future liability account," the would allege that they actually lost money on toll road repairs and therefore float more billions in bonds.

The bottom line is that New Jersey was collecting hundreds of billions of virtually unreported dollars from all the autonomous agencies. The motivating factor was not public welfare or even simple theft, but *control* of those billions.

Mr. Burien not only alleges that the dual accounting system exemplified by CAFR is used by all fifty states, but also by all counties, cities, and the Federal Government itself. If Mr. Burien's allegations

are correct, they comprise the most damning indictment of big government yet seen.

In sum, Mr. Burien implies that our government is in fact a *criminal enterprise* bent on oppressing Americans by extorting several times as much tax revenue as it actually spends on public services and using the majority of those extorted revenues to enrich, empower and enlarge government at public expense.

First thing we do is kill all the journalists?

According to Mr. Burien, although the public is absolutely ignorant concerning CAFR, the primary cause for that ignorance is not the politicians but the mainstream media.

When Mr. Burien first discovered the New Jersey CAFR reports in 1989, he went on Radio 101.5 FM in a live, 45-minute interview. Two days later, that radio station was threatened with the loss of their broadcasting license and was almost shut down. CAFR had become another example of "third-rail journalism"—any reporter or media outlet that touched the issue would be silenced or driven from journalism. As a result, there's been a *total* mainstream press blackout on disclosing CAFR reports.

Later, Mr. Burien learned that the New Jersey official in charge of discrediting his CAFR discoveries was a former reporter who'd been appointed Assistant State Treasurer—even though he had no formal financial background. Burien investigated his background and learned that as a reporter he made $35,000 per year. But as Assistant State Treasurer he made $65,000 a year—plus a carte blanche expense account of $125,000. (Joonoleesm ha' bean berry berry goot to me, hmm?)

Burien claims this was not an aberration: "I knew there was a state data search department which tied all agencies and departments together. I called that department and asked for a data search on all key-level directorships and supervisory positions for all budgetary or autonomous agencies, and they came up with some 3,500 names from several administrations. Almost *1,800* of these Directors were *former editors or reporters*." It's a virtual certainty that many of these appointments were payoffs for the journalists' previous "cooperation" in spinning or silencing stories to suit government.

If you conduct a comparable search in other states, you may find a similar symbiotic relationship between government and former editors and reporters. If so, the media's "liberal, pro-government bias" may run much deeper than anyone's imagined, and the "military-industrial complex" described by President Eisenhower in the 1950's may have been replaced by a "journalist-bureaucrat-banker complex" in the 1990s

Mr. Burien therefore recommends that once you find and analyze your state's Budget and CAFR reports, you insist that your local news mainstream media (TV, News Papers, Radio) raise "Public Awareness" by reporting the difference between the composite "total of cash receipts from all agencies, departments, investments, etc." and the "actual total composite revenues held or controlled"

Media exposure is the jugular vein of the evil and corruption.

Once Americans know how much money is out there, where it's coming from and where it's going—the government's game may be over.

Any media that refuses to make immediate mention of the CAFR report should be publicly and aggressively boycotted. Moreover, if your local media refuse to publicize your state's CAFR, they may be cooperating with a criminal agreement which has effectively silenced public disclosure of the CAFR reports for over forty years.[1]

Walter J. Burien, Jr., can be reached at E-Mail: cevi2000@aol.com or POB 11444, Prescott, AZ 86304.

[1] The intentional refusal of mainstream media to mention of the CAFR report might violate the Rico Act's prohibition against perpetuating and assisting a criminal syndicate. Some Arizona case law pertains to the obligation of disclosure:

- "Silence can only be equated with fraud when there is a legal and moral duty to speak or when an inquiry left unanswered would be intentionally misleading." *U.S. vs. Prudden*, 424 F. 2d 1021, *U.S. vs. Tweel*, 550 F. 2d 297, 299-300.
- "Fraud may be committed by failure to speak, but a duty to speak must be imposed." *Dunahay v. Struzik*, 393 P.2d 930, 96 Ariz. 246 (1964).
- "Fraud" may be committed by a failure to speak when the duty of speaking is imposed as much as by speaking falsely." *Batty v. Arizona State Dental Board*, 112 P.2d 870, 57 Ariz. 239. (1941).
- "When one conveys a false impression by disclosure of some facts and the concealment of others, such concealment is in effect a false representation that what is disclosed is the whole truth." *State v. Coddington*, 662 P.2d 155, 135 Ariz. 480. (Ariz. App. 1983).
- "Suppression of a material fact which a party is bound in good faith to disclose is equivalent to a false representation." *Leigh v. Loyd*, 244 P.2d 356, 74 Ariz. 84. (1952).
- "When one conveys a false impression by disclosure of some facts and the concealment of others, such concealment is in effect a false representation that what is disclosed is the whole truth." *State v. Coddington*, 662 P.2d 155, 135 Ariz. 480 (Ariz. App. 1983).
- "Fraud and deceit may arise from silence where there is a duty to speak the truth, as well as from speaking an untruth." *Morrison v. Acton*, 198 P.2d 590, 68 Ariz. 27 (Ariz. 1948).
- "Damages will lie in proper case of negligent misrepresentation of failure to disclose." *Van Buren v. Pima Community College Dist.* Bd., 546 P.2d 821, 113 Ariz. 85 (Ariz.1976).
- "Where one under duty to disclose facts to another fails to do so, and other is injured thereby, an action in tort lies against party whose failure to perform his duty caused injury." *Regan v. First Nat. Bank*, 101 P.2d 214, 55 Ariz. 320 (Ariz. 1940).
- "Where relation of trust or confidence exists between two parties so that one places peculiar reliance in trustworthiness of another, latter is under duty to make full and truthful disclosure of all material facts and is liable for misrepresentation or concealment." *Stewart v. Phoenix Nat. Bank*, 64 P.2d 101, 49 Ariz. 34. (Ariz. 1937).
- "Concealing a material fact when there is duty to disclose may be actionable fraud." *Universal Inv. Co. v. Sahara Motor Inn, Inc.*, 619 P.2d 485, 127 Ariz. 213. (Ariz. App. 1980).

To catch a CAFR

by "Betsy Ross"

"Betsy Ross" (pen name for the Alaskan M.D.) talked to Mr. Burien and later investigated whether Alaska also used a dual bookkeeping system. She reports:

Why do we see ever-rising state income and property taxes, if the states, counties and cities ALL have untold billions of dollars coming in from profitable government enterprises and investments? Why is all this money deliberately unreported in the regular Annual Budget reports? An innocent and trusting public has been complaisant far too long, content to leave the administration of our country to the bankers and "experts". I predict that people will not remain asleep much longer when they learn the true economic picture contained in the yearly CAFR documents.

The CAFR system is not only used by states. For example, back in the late 1980s when Orange County, California, formally declared bankruptcy, some diligent researchers investigated the county's finances and accidentally stumbled onto Orange County's CAFR. They discovered that while Orange County legislators were crying poverty and bankruptcy, they actually had a *surplus* of $16 billion in profitable investments.

According to Mr. Burien, this fraudulent treatment of revenues has gone on for over 40 years in many states, and the cumulative amounts of unreported government revenue salted away from public scrutiny is now many trillions of dollars.

Where's all that money? Over the years, most of this money was invested in the *stock market*. As a result, our federal and state governments now collectively own about 53% of the stock in all publicly traded companies. That means, collectively, our various federal, state, and local governments may not only be the primary beneficiaries of the recent Bull Market in stocks—they might even be the *cause* of the 1990's Bull Market.

That is, our various governmental entities now carry enough collective stock market clout to cause specific stocks, commodities (like gold or silver), entire industries—or the *whole stock market* itself—to

rise (or fall) simply by buying or selling specific stocks or commodities in concert.[A]

I verified many of Mr. Burien's assertions by obtaining CAFRs for my state (Alaska) and my city (Anchorage), and comparing them to their annual Operating Budgets. The differences in reported annual revenue streams are breathtaking. For example, revenue reported in Anchorage's Annual Budget and CAFR differed by over $100 million!

However, finding your state, county or city CAFR is not necessarily easy. But don't be deterred. According to a 1982 Federal Law, every state, county and city must prepare and publish a CAFR—and it always has the same name: "Comprehensive Annual Financial Report."

I started my search by calling my state Representative. He didn't know what I was talking about, but sent me over to the Department of Revenue. They didn't know what I was talking about, but sent me to the Office of Management and Budget—who also didn't know but sent me to the Department of Economics and Commerce. They didn't have a clue, but sent me to the Department of Law, who sent me over to the Attorney General's Office, who sent me to the Governor's Office—who told me the political equivalent of "no speekee aingleesh," and sent me to Secretary of State, who sent me to the Department of Administration.

To my amazement, the Department of Administration *did* know what I was talking about. They understood the term "CAFR" . . . but they still didn't know where to find one. However, they suggested I try the Finance Division within their own Department—and there, I finally hit pay dirt. The Finance Division sent me the current CAFR for free, and are hunting through their office for CAFRs from previous years.

To find your state's CAFR, you must be persistent and able to politely navigate the endless sea of ignorant bureaucrats until you find the right office that handles the annual CAFR. I guarantee that your state's CAFR does exist, though it may be buried in some obscure office where no one would ever think to ask for such a document.

I had much better luck obtaining a copy of our city's CAFR. It only took two phone calls to reach the City Comptroller's Office, which generates the CAFR report for Anchorage. Further, both the State University and the city library have files of annual CAFRs going back for several years.

Some states have even begun to post their annual CAFRs on the Internet! Tap up your state's website, and do a word search for CAFR. Also search for your state's CAFR at http://financenet.gov/financenet/state/cafr.htm. Here, you should find lists of all state and local CAFRs.

We haven't yet found Federal CAFRs on the Internet. However, individual CAFRs are reportedly published by the General Services Administration (GSA) for each Federal agency, as well as a composite CAFR (6,800 pages in 1990) for the entire Federal Government. It is

[A] In 2000 and 2001, we've seen the stock market repeatedly defy economic reality. For example, despite the 911 terrorist attack and fairly consistent indications of economic downturn, the stock market has remained surprisingly upbeat and optimistic. Is that apparent optimism based on the investors' confidence that a serious economic upturn is in our immediate future, or has the market been artificially supported and thus manipulated?

believed that a Federal "Summary" CAFR is also available that, in a relatively few pages, outlines the finances for the entire Federal government—but to date, that information has not been verified.

If you're stymied in your efforts to penetrate the bureaucratic maze, try alternative sources like public libraries—which may sometimes be the only "back door" available for these reports.

Though hard to find, CAFR reports are not hidden or classified "Top Secret". Because CAFRs are mandated by Federal law, if you know where to look, they can be found. But they are not published, promoted, or discussed by mainstream media.

Reading is harder than finding

However, the real skill in analyzing your CAFR is not finding it, but in understanding it. Bear in mind that a single state CAFR may contain several hundred pages of accounting information. Don't expect to find a heading or summary that specifically identifies "Revenue Hidden From Public". To determine how much revenue is unreported on your state's Annual Budget, you'll have to do some fairly serious study and "number crunching" on your state's CAFR.

One strategy for analyzing your state's real finances might be to make copies of the Budget and CAFR report for each member of a study group dedicated to dissecting the CAFR. Ideally, your group should have help from someone like a Certified Public Accountant who understands how to read and analyze a corporation's annual financial report. Always look for the difference in revenue between the "budgetary basis" (reported on the Annual Budgets) and the "restricted-by-statute groups" (like the New Jersey Turnpike Authority) which are reported only on the CAFR.

Also, pay close attention to the CAFR's footnotes; they can be extremely revealing and may suggest leads to other specific agency reports for further investigation.

To do a complete analysis, it's necessary to obtain both the Annual Budgets and CAFRs as far back as they are available. Some funds are suddenly dropped from even the CAFR, and one may have to compare CAFR reports for several sequential years to find these omissions.

You may also want to pursue the specific yearly audits and reports of specific agencies. Some agencies have established a "Bond Surety Escrow Revenue Account". Don't be misled by the boring name (the devil's in the details). Basically, this is a *slush fund* for agencies to deposit income that should have been used to repay the agency's bonds and reduce the public's taxes. Demand to see both the present and historical records of this fund—it may contain millions of dollars that do not sit idle in a bank account. From this account, agencies make investments, loans, "honoraria" fees, agency personnel "reimbursements" and other outright *payoffs*.

These Bond Surety Escrow Revenue Accounts are one of the most egregious examples of government's ongoing financial fraud. For example, Dr. Burien believes that state pensions and other disguised funds include retirement accounts for each state judge rang-

ing from one to five million dollars. As long as the judges don't rock the political boat, they may get a million dollar retirement while we peons wonder where the justice went.

Political consequences

The financial implications buried in the CAFR reports will precipitate issues that are guaranteed to give legislators fits. As my calls demonstrated, most government officials are totally ignorant of government's dual accounting systems. These officials think the money listed in the Budget report is all they have to allocate. However, once we publicly expose CAFR, they can't continue to claim ignorance and innocence.

Those of you who are running for political office against an incumbent politician could not hope for a stronger campaign issue. If your state's CAFR indicates this kind and degree of financial deceit, what could any incumbent politician argue in his defense? That he was too dumb to realize the state was secretly overtaxing the people? That he was smart enough to recognize the deception, but thought it was a good idea to impoverish his constituents? The dual accounting systems and consequent over-taxation exemplified by CAFR can provide an issue to rouse a sleeping public to take part in our political system.

But what about the political parties? Could the Republicans or Democrats embrace and expose the CAFR accounting system? No. After 40 years of deceit, neither party can claim innocence or ignorance. The CAFR's political consequences could do immense damage to both parties; that potential probably explains why virtually all politicians avoid mentioning CAFR.

But what about *third* parties that have no historic relationship to CAFR? For example, what would happen if the Libertarian Party were mobilized to find and analyze the CAFRs from all the cities, counties, and states where their candidates sought public office in November, 1998? What would happen if Libertarian candidates across the country were able to shake their fists and copies of their state's CAFR in the faces of their Republican and Democrat opponents? What would happen if the Libertarians were credited as *the* party that exposed the CAFR fraud? Could the Libertarians turn an otherwise unnoticed election into something exciting and filled with public outcry? Could an unprecedented number of Libertarians get elected? Could CAFR cause a revolutionary political realignment sufficient to wrest automatic control from the two smug major parties? Yes.

If the CAFR issue is validated across the nation, it contains enough explosive political potential to change an obscure third-party into a political contender. Because the two dominant political parties don't dare touch this issue, CAFR offers an extraordinary opportunity for any independent or third party to enhance its political power.

More importantly, the mainstream media's ability to suppress the CAFR story would be virtually eliminated if an entire political party, during an election, was publicly shouting "CA-FR! Cor-rup-tion! . . . CA-FR! Cor-rup-tion! . . ."

A $2 Trillion Texas CAFR?

by Alfred Adask

Government "budgets" are always in the news. For example, in 1996, the federal budget was big news when Republicans and Democrats couldn't agree on how much to spend, so the Federal government was briefly shut down. However, governmental budgets are usually pretty dull. Politicians and public alike rely on the Budget as the factual foundation for all debates on government finance. They are otherwise taken for granted and largely ignored.

However, Budgets are inherently unreliable because they only estimate future revenue. E.g., each year's Budget is prepared in the preceding year. For example, the 1999 Budget was prepared in 1998. Politicians may ordain on the Budget exactly how much money will be *spent* next year on welfare, defense, particular projects, and cigars for the President. But unless politicians enjoy the gift of prophecy, Budgets can only *"guesstimate"* tax *revenue* for the next year.

If Congress over-estimates total revenue for next year and comes up financially short (a deficit), it will borrow money to pay for the expenditures they voted to provide on the Budget. If Congress underestimates next year's tax revenue (as recently happened) and collects more money than they need to pay for agreed budget expenditures (a surplus), politicians will usually engage in a mad scramble to spend the extra money (rather than restore it to the public).

Point: Although Budgets can precisely declare the *expenditures* for the coming year, they only *estimate* next year's *revenues*.

CAFR

Federal law[1] requires all state and local governments to track their finances using a Comprehensive Annual Financial Report (CAFR).

Unlike the Budget (which is prepared *before* a particular year begins), the CAFR is prepared *after* that year is ended. The Budget *estimates* how much will be gained as revenue and spent as expenditures. Then, after that year ends and all the actual bills and revenues are compiled, the CAFR reports the year's *actual* expenditures and revenues.

The Budget's "foresight" is always imprecise (especially concerning revenue). The CAFR's "hindsight" is always precisely accurate. As a result, since government *expenditures* are mandated by law, the expenditures listed in the Budget and reported in the CAFR may be identical. However, the *revenue* anticipated in a Budget and later reported in a CAFR are certain to disagree.

This disparity should be fairly innocent since we can't expect a Budget to precisely predict future revenue. However, we might reasonably expect government economists to predict future tax revenues within—say—10% of the true final sum. For example, if the Budget for the STATE OF TEXAS estimates the total revenue for a particular year will be $39.5 billion and the state actually collects $39.9 (or $39.1) billion, that's "close enough for government work."

Unfortunately, revenue report accuracy on the Budget is compromised since state legislatures may prohibit "anticipating" revenue from certain state "profit centers" (like toll roads or port authorities). Instead, these laws can mandate that some profit center revenues be reported *only* on the (largely unknown) CAFR.

For example, a state might prohibit reporting the entire annual revenue of a particular toll road from being "anticipated" on the Budget and mandate it only be reported on the CAFR. If that toll road collected $2 billion one year, that entire $2 billion in revenue would not even be mentioned on the Budget. If a state had several toll roads or scores of other "profit centers," it could conceivably collect an enormous amount of revenue that was "unanticipated" and thus "unreported" on the Budget and therefore virtually invisible to the public.

The potential for abuse is large.

However, since revenue prohibited from inclusion in the Budget must later be reported on the year's CAFR, you'd think there's no chance to "cook the books" and conceal revenue. Nice theory.

In fact, revenue reports are further complicated because CAFR allows "excess" revenue to be deposited into trust funds earmarked for *future* payment of *current* debts. That seems reasonable enough—except that any "excess" revenue deposited into a "future debt" trust fund can be *immediately* deducted from the state revenue figures *as if* the money had been *actually paid* to the creditor.

This accounting sleight of hand works like this: The extra funds deposited into the trust fund count as a *deduction* from the total state revenue. (How'd you like to be able to list all of your bank deposits as deductions from your total income? You wouldn't have to pay much income tax, would you?)

This process is a little like writing a check for your mortgage, deducting it from your check ledger, and then putting the check in your top desk drawer rather than mailing it to the bank. Anyone who read your books would think you'd paid the mortgage and your checking account balance was low. Only those smart enough to ask whether the check had cleared the bank and in fact been paid would realize you were actually stashing a "hidden" saving account in your desk.

In the case of a government, suppose our toll road is obligated to repay it's construction bond at the rate of $500 million per year but actually collects $2 billion per year in tolls. Rather than pay all $2 billion on the bond, the toll road authority can pay just $500 million (as required by law) and deposit the "excess" $1.5 billion into a trust fund reserved for *future* payment of toll road debt. Because funds deposited into that trust fund are treated as a *current* expense, the toll road's books will show it collected $2 billion in revenue but also paid out the entire $2 billion in expenditures, resulting in no gain. Unless you were a very astute accountant, you would not suspect that, in fact, someone stashed $1.5 billion in a trust which is virtually invisible to the public.

If that trust fund accumulated $1.5 billion in "excess" revenue each year for ten years, there could be $15 billion in the trust. Annual interest on $15 billion could approach $1 billion. What happens to that interest?

If a state used scores of "future debt payment" trust funds, it could conceivably accumulate enormous sums of money—possibly trillions of dollars—from institutionalized, excess taxation of the public.

Evil's roots

The social, economic, and political implications are monstrous. First, such an accounting system could conceal that fact that Americans are being systematically impoverished by their own government. Second, government power and corruption would be enormously increased by the presence of all that "hidden" money.

For example, suppose a particular trust held $50 billion that was invested in the stock market with a single stock broker. During the Bull Market, that trust would probably generate an additional $8 billion per year, and the stock broker might earn a $250 million commission for managing the account.

Suppose a lowly $75,000-a-year government bureaucrat controlled that trust fund. Suppose he walked in to the stock broker's office and said, "I need a $50 million unsecured loan for my brother to open a ranch in Brazil—or I'll have to transfer my $50 billion trust account to a different broker."

Would the stock broker (who makes $250 million off the stocks in this trust account each year) refuse to implement the $50 million unsecured loan? No. Then the brother could take the $50 million, default on the unsecured loan, and keep the cash without consequence. That's an extraordinary amount of potential power for a seemingly unremarkable, $75,000-a-year bureaucrat.

Suppose the bureaucrat administering the trust was a member of the CIA or some other semi-sinister government agency. Could that agency have access to enormous sums of unaccountable money to fund its "black" operations? Seems possible.

Suppose there were hundreds of "hidden" governmental trusts spread out across the United States. Suppose all those government containing "hidden" revenue were coordinated to buy or sell stocks in a particular company or industry. Could these trusts exert enough financial leverage to cause a company or even an entire industry to become suddenly profitable or bankrupt? Yes. By acting in concert, could these trusts cause the *entire stock market* to rise—and thereby create an illusion of prosperity necessary to diffuse growing social unrest? Yep.

Could these trusts sell stocks all at once and thereby cause a recession, depression, or even enough social chaos to make Americans cheer for martial law? Seems so.

Were the repeated 2001 stock market declines "nipped in the bud" by Alan Greenspan's tinkering with interest rates? Or were those declines stopped and even reversed by concerted government buying and selling activity? Could the government trusts which own stock simply bid upward on various stocks to create the illusion that the "people" had confidence in the stock market and the economy? In other words, can the stock market be "fixed" to support public confidence? Yes

Generally speaking, all of those ominous possibilities are being raised by Walter Burien Jr. based on his study of Comprehensive Annual Financial Reports (CAFR).

Syndicated crime

For example, Mr. Burien reports he first learned of CAFR by studying the 1989 finances for the STATE OF NEW JERSEY. He discovered that the 1989 New Jersey Budget reported roughly $17 billion in costs and projected only $17 billion in revenue. Based on the Budget's $17 billion revenue *projection*, New Jersey politicians argued they must raise taxes to provide more services to the people.

However, buried on page 174 of New Jersey's 1989 CAFR report, Mr. Burien found the "Waste Water Treatment Trust Fund" that listed the state's true total revenue for 1989 as *$87 billion*. While the state told the public their anticipated total revenues were "only" $17 billion—and they therefore must (regrettably) raise taxes—the state's real total revenue was $87 billion—$70 billion more . . . *five times* as much as was projected on the state Budget.

The implications are mind-boggling. If New Jersey anticipated $17 billion but actually collected $87 billion, their professed need to raise taxes was absurd, even fraudulent. Instead of raising taxes, they could've eliminated all of the ordinary taxes that New Jersey citizens were used to paying (state income tax, sales tax, property tax, etc. which provided the $17 billion revenue anticipated on the Budget) and still had enough money left over to provide *twice* as many government services—and still give a $36 billion refund to the people of

New Jersey. The social and economic benefits for the people of New Jersey would've been unprecedented, unimaginable, perhaps as great as a Biblical Jubilee.

Conversely, the economic oppression of a government that collects five times as much revenue as it anticipates on the Budget is, according to Mr. Burien, evidence of "syndicated organized crime".

Seeing is confusing

When I first read Mr. Burien's allegations, I couldn't believe them. Assuming it was even *possible* for any American government to routinely underestimate (conceal) 80% of its revenue, where could all that money come from? Independent reports from people in Alaska, Oregon, Wyoming supported Mr. Burien's claims but I was still skeptical.

Then I got a copy of the 1996 STATE OF TEXAS CAFR. It's not a "secret" document. I called the Texas Comptroller's office, asked for one, and they sent it, no hassle and no charge. Slick cover, 314 pages, about half text and half accounting figures.

> "What then makes federal reserve notes acceptable at face value in payment of debt? Maybe it is the confidence theat they will be able to exchange such forms of money for real goods and services.
>
> "Confidence in these forms of money also seems to be tied in some way to the assets that exist on the books of government and banks, equal to the amount of money outstanding, even though most of these assets themselves are no more than pieces of paper, such as customers' promissory notes, and it is well understood that money is not redeemable in them."
>
> ***Modern Money Mechanics***
> **Federal Reserve Bank of Chicago**

The first eight pages of the 1996 Texas CAFR presents several pie diagrams which illustrate the state's Total Assets were $131 billion, Total Liabilities $30.5 billion, Fund Balances and Retained Earnings $99.7 billion, Total Revenues $40.3 billion, and Total Expenditures $39 billion. In sum, those numbers roughly indicate the state has about $200 billion in assets and $40 billion in annual revues and/or expenditures.

I skimmed through the 150 pages of accounting figures, and although I'm no accountant, so far as I could see, virtually all the numbers were of a magnitude that "fit" within the $200 billion total assets and $40 billion total revenue figures. With one exception.

On page 157, the section on "Agency Funds" lists eleven trust funds, including: "The Texas Local Government Investment Pool (Tex Pool) . . . a local government investment pool administered by the Texas State Treasury." On page 158, the Tex Pool fund's assets and liabilities are presented in four columns labeled: 1) "Beginning Balance Sept. 1, 1995", 2) "Additions", 3) "Deductions", and 4) "Ending Balance Aug. 31, 1996".

Tex Pool's Total Assets had a Beginning Balance of "$3,354,400,000" ($3.3 billion) and an Ending Balance of "$4,207,630,000" ($4.2 billion) for fiscal 1996.

Nothing remarkable there.

Although the fund grew by 25% ($850 million) over the year, the Beginning and Ending Balance figures ($3 to $4 billion) and growth

rate "fit" comfortably with the state's $200 billion total assets, and $40 billion total revenue.

However, Tex Pool's Total Asset "Additions" are $1,996,828,345,000 (almost $2 trillion) and the Total Assets "Deductions" are "$1,995,975,115,000" (also, almost $2 trillion). Viewed in perspective, $2 trillion is *ten times* as much as the state's Total Assets of $200 billion, and *fifty times* as much as the state's reported Total Annual Revenue of $40 billion.

So now I've seen evidence of Walter Burien's claims with my own eyes. I still don't know exactly what I'm looking at, but I know that—whatever it is—it's a big one. How can any state agency handle fifty times—*fifty* times—as much "Additions" and "Deductions" as the state reports for its "Total Revenue" and "Total Expenditures"? There may be a plausible explanation for all this, but it'll have to be a dilly.

Local taxes

The STATE OF TEXAS administers the "Tex Pool" investment trust fund, but the $2 trillion reported as "Additions" and "Deductions" on the 1996 Texas CAFR are not derived from state taxes. Instead, these funds are invested by the cities, counties, and school and water districts of Texas. In other words, the $2 trillion appears to be the "excess" revenue accumulated from taxes imposed on Texans by the thousands of *local* Texas municipalities.

Curiously, the 1996 population for Texas was (roughly) 20 million. If you divide $2 trillion "Additions" by 20 million Texans, you get a *$100,000* investment in "Tex Pool" for every man, woman and child in Texas. But how can the cities and counties of Texas collectively invest $100,000 for every Texan, when the average annual income is (roughly) $20,000 a year? That $100,000 average investment appears to be *five times* the public's average annual income. *Where's all the damn money coming from*?

Again, I'm not an accountant, and there may be a simple accounting explanation for this $2 trillion figure—but three years after this article was first published, I've yet to hear it. What has happened, however, is that subsequent annual CAFRs from the State of Texas show "Tex Pool" as fundamentally inactive. Where it reportedly handled $2 trillion in 1996, it now handles virtually nothing. While it's possible that the original $2 trillion figures were some sort of misprint, it's equally possible that—having been exposed—the Tex Pool account became a liability and the state simply found a new hidey-hole in which they can again conceal and invest their "excess cash".

Whatever the explanation, I'm still "boggled" by CAFR. ▪

Federal "CAFR"

by Walter Burien

When the Federal government passed the 1982 law requiring all state and local governments to use the CAFR accounting system, the Feds exempted themselves. However, the Federal government also keeps a "second" set of books (in addition to their Budget) which is similar to the states' CAFR. This second Federal accounting system is called the "Federal Government Combined Financial Statement".

To download the US Federal Government Combined Financial Statements for 1995, 1996, and 1997 go to http://www.fms.treas.gov/cfs/index.html. If you get one of these Statements, read the last page first. It lists government agencies that are *excluded* from the accounting figures. You'll see that those excluded (CIA, Federal Reserve, Army PX commissaries, etc.) are often the primary cash and investment agencies. As a result, even the Federal Government's Combined Financial Statement is incomplete and does not reveal the government's true total revenue or investments. (Is this information withheld for "national security" reasons? Or is government worried that a true and complete balance sheet would show positive assets in the trillions?)

I've added up the CAFR investment totals for the governments of all fifty states, all counties, all cities and the Feds for the past ten years. Collectively, our governments own about $32 trillion in stocks, $8 trillion in insurance company equity participation (ever wonder why auto insurance is required by law?), $5.5 trillion in bond surety investment accounts, and $60 trillion in liquid (cash) investment funds. That's over $100 trillion in investments.[2] Compare that to the total personal income for all Americans in 1996 of roughly $6.5 trillion. As you can see, if every American gave every cent they earned to government for 10 years, it still wouldn't equal the sum our collective governments have amassed in their investment accounts.

Principle of operation

If you want to investigate your own state or local government's true revenue, get a team together including a friend or two that are CPAs to study your state's CAFR. To get some of the CAFR reports available for downloading go to this Internet site: http://financenet.gov/financenet/state/cafr.htm

If your state or county is not listed, send an email to a neighboring state saying that you have their state CAFR report and would like to do a comparison study of your state's CAFR. Ask them to please email you the departments, telephone numbers and contact names in your state, counties, and large cities to get their CAFR report. The States all share each other's CAFR reports for comparison.

Add up the financial totals for the cities, counties, state and Federal ownership within your state. Don't forget to look at other cities, counties and states CAFRs for comparison. When you see the total moneys, you can backtrack to see where they came from and where they are currently being used.

It's important to understand the *principle of operation* that led to government's financial takeover of America. When seen, you will understand the motives and propaganda that is rammed down your throat by the mainstream news media and government to keep you looking in right field as they conduct their criminal "business as usual" activities in left field.

Shot (not yet) heard round the world

In August 1998, I was interviewed on Lee Tibler's radio show in Hot Springs, Arkansas and explained CAFR to the people of Arkansas. The 1996 Arkansas CAFR showed that while the 2.5 million people of Arkansas owned about $18.3 billion in property, the *state* government alone (not cities or counties) owned over $14 billion in liquid investment funds. As a result, the state government alone owns almost as much property as the entire population of Arkansas.

During Lee Tibler's radio show, I called on the citizens of Arkansas to determine if the citizen's owned the government or if the government owned the citizens. I proposed that the citizens of Arkansas demand an emergency special initiative to change the principle of operation for city, county and state governments of Arkansas as follows:

1. Reappropriate 25% of all Arkansas state and local governments' revenue into a Citizen's Trust Investment Account. Once 25% of all government revenues were deposited in the Citizen's Trust Investment Account, it would be the largest investment fund in Arkansas, with the citizens as principle "beneficiaries"—not "insiders" from government and their special interests.

Based on the interest and dividend yields, any citizen who participated in the Citizen's Trust Investment Account for twelve years would not only have no further state or local tax liability, but would even start receiving a dividend check. This annual dividend would increase throughout the remainder of his life. Citizens would get their biggest checks in their last year of life. As a result, the elderly

could look forward to growing richer as they age rather than poorer. That's *real* social security.

2. Create a Citizens Appointed Review Panel consisting of 250 individuals to administer the Citizen's Trust Investment Account. This Citizens Appointed Review Panel should be composed of electricians, plumbers, school teachers, housewives, and other common people, with none having an income over $75,000 per year. They should have full discovery powers and disclosure rights and a small team of accountants. Members of the Review Panel will not include lawyers, government employees—or politicians who "inexplicably" spend millions of dollars to be elected to their $75,000-per-year jobs.

3. All city, county and state government employees will be offered 1/3 of 1% as a finders fee for reporting government revenue which is "not directly benefiting the citizens" and redepositing that revenue into the Citizen's Trust Investment Account. For example, if a government employee finds $150 million held in a trust fund that does not directly benefit the citizens, his finder's fee (1/3 of 1%) would be $500,000. That's a strong incentive to report all financial "waste".

4. All governments would operate under the principle of "No Further Debt Enacted"—all purchases would be "cash and carry". Existing debt payments will be increased until canceled, from 15% of the interest and dividend allocation from the Citizen's Trust Investment Account.

5. Any organization, governmental agency or department which intentionally concealed or otherwise tried to circumvent placement of revenue or investment funds into the Citizen's Trust Investment Account would be subject to criminal prosecution.

An idea whose time has not (yet) come

When the Citizens Trust Investment Account initiative was first proposed to the citizens of Arkansas, I hoped it would become a new Woodstock or Boston Tea Party. I hoped the initiative would be the largest voter turnout in that states history.

However, in 1998, the citizens of Arkansas overwhelmingly passed an initiative calling for the abolishment of property taxes. The Arkansas government retaliated in the courts to invalidate the initiative, stating that they'd have to shut down schools if the initiative was effected.

As a result, for now, the Citizen's Trust Investment Account has not yet been enacted. Nevertheless, the fundamental strategy is valid and can be initiated in any state. Although the numbers will vary from state to state, in most states, it should be possible to harness the "excess money" that's been secreted into government trusts to serve the people rather than the government.

There is so much money extorted from the people and then hidden from them, that if it were recovered, the majority of Americans might soon find themselves not only tax exempt, but receiving more money each year as they grew older.

However, it appears that "Jubilee" will not take place until the American people make the effort to actually understand the Compre-

hensive Annual Financial Report and all it's hidden implications. Once CAFR is understood by most Americans, it'll be hard for "Insiders" to continue "Business as Usual" with 340 Million Americans watching over their shoulders to see where every dollar is spent, invested or moved.

More importantly, once a Citizens Trust Investment Account is established, government corruption, graft and payoffs should disappear overnight. Remember, the root of all corruption is *hidden, unaccountable* revenue. Once the CAFR revenue structure is exposed, the beast will die of starvation.[3]

When we really understand CAFR, We The People will again become the true beneficiaries of the wealth *we* produce in the greatest country on Earth. Chains of debt and oppression will be broken, and citizens will be free and prosperous beyond their expectations.

Call your neighbors, friends and business associates and pass the word.

God speed and a wake up call to you.

For further information contact: Walter J. Burien, Jr., CEVI, PO Box 11444, Prescott, AZ 86304; (520) 717-1994; E-Mail: cevi2000@AOL.COM

[1] To see the Federal Regulation submitted in 1979 requiring local governments (City, County and States) not already having a CAFR to prepare a CAFR report go to this Internet site: http://www.financenet.gov/data/welcome/statloc/prof/gfoa/policies/accounting.gop

[2] In 1933, due to its own bankruptcy, the Federal government declared a Bank Holiday closing all banks, seized all privately owned gold, and declared a "National Emergency" which has remained in force ever since. This alleged National Emergency is the cornerstone of government's ability to legally bypass the Constitution and exercise quasi-dictatorial powers. This 65-year old "emergency" is largely based on the belief that the government is legally broke, bankrupt. However, if Mr. Burien's claims and calculations are accurate, the government is not broke or bankrupt and therefore the emergency can be proved to be false, unsustainable, and therefore null and void. Point: A thorough study of the CAFR reports just might provide enough legal evidence to end the National Emergency and government's quasi-dictatorial powers. In fact, it's even possible that the real reason for overtaxing Americans and concealing huge wealth in trust funds might be to maintain the illusion of the 1933 bankruptcy and government's emergency powers.

[3] There is even some CAFR evidence to show that some judicial pension funds guarantee State and Federal Judges to receive up to $8 million after serving only two years in office. (Now you know why the laws are enforced as they are throughout the country?) ■

Internet Implications

"An International Monetary Fund seminar of imminent economists couldn't agree on what money is and how banks create it."
Wall Street Journal (September 24,1971)

Internet Deflation

by Alfred Adask

I love books. In fact, I'm a fondler. Just touching of a century-old book warms me with the kind of pleasure some people find only in fresh-baked apple pie.

Loving books, I naturally loved producing my paper magazine (the *AntiShyster*) from December of 1990 to December of 1999. On my own, I would never have quit.

However, for various economic and political reasons, my business started to go South in 1997. I hoped and waited patiently for a recovery. But by mid-1999, I realized that no recovery was possible. A new phenomenon—the internet—had entered the equation and no matter what changes or restorations took place in the economic and political climates, my paper magazine was kaput.

The following article was first published in December, 1999—when America still believed the "bull" stock market and economic "miracle" of the 1990s were sure to go onward and upward forever. This article was precipitated by my sudden realization that my little business was being destroyed by the power of the internet.

Having learned my (first) internet lesson the hard way—I've been nearly bankrupted by the internet—I started contemplating the internet's implications.

That contemplation has led me to personally "discover" virtually every internet cliche' that had already been accepted as fact by millions. At first, I thought my "discoveries" were original and profound. I was kinda like a kid on his first trip to the zoo, excitedly showing the elephant to the zoo keeper. What was astonishing to me was old news to him.

Nevertheless, I've "discovered" a few conclusions that aren't so typical. For example, I suspect the internet's impact may soon help

precipitate widespread public fear and anger—perhaps even an economic depression.

Faced with unrelenting competition from so much free information available on the internet, I was unable to continue selling subscriptions. Fewer and fewer people would pay for information when they could find similar information on the internet for free.

I had two choices. Quit publishing completely, or try to publish on the internet and survive off advertising revenues rather than subscriptions. I couldn't stand to quit; I absolutely love discovering and publishing information. Therefore, I shifted publication from hard copy paper to digital copies on the internet.

By going digital, I have no paper, ink or mailing costs. Thus, my overhead is hugely reduced. But that means my commercial printer (the guy who used to produce several thousand paper copies of my magazine) lost my business and resulting income.

The same internet-generated pressures that assaulted my little magazine undoubtedly also attacked other publications. As those paper publications were also either bankrupted by the internet or forced into digital publishing, those publications also stopped using commercial printers.

Implication: Commercial printers will experience ruthless competition as they fight among themselves for the business of a diminishing number of print magazine and newspaper publishers.

Implication: Many commercial printers will be driven out of business. Similar business contractions and bankruptcies will cascade onto the manufacturers of paper, ink, and printing press manufacturers.

Implication: As commercial printers, paper producers and press manufactures go bankrupt, they won't need the offices, warehouses and industrial plants where they currently work.

Implication: Demand for commercial real estate will fall—and soon, the value of commercial real estate market will also decline.

Implication: As commercial real estate values fall, bank loans secured by commercial real estate may also be called in by nervous banks. Those called-in loans will push additional businesses toward bankruptcy.

Thus, the internet's fierce efficiency releases economic forces capable of not only crippling little magazines like mine, but also even capsizing the commercial real estate market and impacting major bank loans.

A similar chain of implications seems valid for most retail products. While consumers may still insist on buying "personal" items like clothing and groceries from a store where you can touch, taste and see—most other products (computers, clocks, dishes, software, refrigerators, etc.) will be increasingly purchased over the internet.

Price is king

The primary reason for the shift to internet purchases is price. Conventional retail stores can't easily compete on the basis of price with website stores ("webstores").

Why? Overhead. A typical retail store costs thousands of dollars a month in rent, utilities, and labor. All of that overhead must be included in the price of the products sold in the store. On the other hand, a webstore costs $20 a month and the entire "staff" can consist of a single entrepreneur who lives and works out of a spare bedroom in his home. Because there's virtually no overhead in the webstore, an internet entrepreneur can sell products at huge discounts that conventional retail stores can't match and remain profitable.

The second reason for shifting to internet purchases is convenience. While the retail store is open just six days a week from 9 AM to 9 PM, the webstore is open 24/7. On the internet, I can shop for a refrigerator at midnight on Sunday. I can compare dozens of refrigerators and their prices, select the least expensive, and have it shipped to my door. I don't have to start my car. I don't even have to get dressed.

Of course, if I need a refrigerator immediately, I must go to a local retail store. But if I'm willing to wait just a few days for delivery, I can order over the internet and probably save $75 to $100 as compared to the retail store price. What would you do? Get dressed, drive to town, fight the traffic, pay for gas and parking, and pick up your refrigerator tonight—or wait a week and save $100 and a couple hours of your time?

Soon, more and more people will choose to buy on the internet, wait a week for delivery and save the $100.

Result: The local retail appliance store won't be able to easily compete with the webstore and will therefore lose sales, lay off some help or even go bankrupt.

Result? The appliance store may be empty, the commercial real estate values will keep slipping, and more bank loans may be called in.

Diminished traffic

Obviously, when people buy on the internet, they don't drive to town to buy their refrigerators. So, as we buy more products over the internet, we should all begin to drive a little less. That means less wear and tear on our tires, less gasoline consumed, less traffic to tear up our roads, less traffic jams, less need for newer or wider roads, and perhaps even lower taxes. Thus, internet commerce threatens to diminish some of our nation's demand for cars, petroleum and concrete. Ford, Standard Oil and Goodyear won't be pleased.

How 'bout office workers? Why commute every day to some downtown cubicle if you can do the same work in a corner of your own home? Businesses already employ "home workers" and even executives are beginning to work several days a week from their homes and commute to the office only for face-to-face meetings.

Similarly, "virtual meetings" are being conducted with TV images transmitted over the internet between executives in New York and San Diego, so even face-to-face meetings are growing less frequent.

Again, this means reduced travel, reduced traffic jams, and reduced gas, oil, tire, battery and automobile consumption.

As the internet reduces the businessman's need for face to face meetings, it will also diminish the need for air travel. The impact will spill over onto hotels, rental cars, travel agents and other businesses that cater to business traveler. The travel industry will not be well-served by the internet.

But note that some of your neighbors feed their families by working in retail appliance stores. Others support themselves selling gasoline, automobiles, commercial real estate and airline reservations. As the internet reduces demand for these products and services, many of these people will become under- or un- employed.

And where will they go for work? To the neighborhood web-store? I don't think so.

Thus, as the internet decreases the cost of goods and services and heightens competition, it will inevitably increase unemployment. Lower costs and higher unemployment signal deflation, economic recession or worse.

No refuge

If the internet's fierce efficiency bankrupts many "conventional" businesses and causes "conventional" workers to be unemployed, most of the clever folks hawking merchandise over the internet itself won't fare much better.

To illustrate, suppose I sell refrigerators over the internet. Once I cut a deal with the refrigerator manufacturer, I can theoretically cut into the income of every "brick and mortar" retail appliance store in the country. After all, I have virtually no physical overhead, I can sell 24/7, and my "territory" is the entire USA (actually, the world). Anyone who can find my website can buy refrigerators through me.

Because my potential market is so vast and my overhead so small, I can sell so many refrigerators that (unlike conventional retail appliance stores) I don't need to make $100 on every sale. If I charge just $5 over the wholesale price of refrigerators, and sell 1,000 refrigerators a week, I can earn $250,000 a year! And all I have to do is put up a pretty website, automate the order processing procedure, sit back, and bale the dollars as they fall off the internet money tree.

Sounds great, hmm? Except when I brag about my sweet deal, my brother-in-law decides to start an identical website, except he'll sell the refrigerator's for just $4 over wholesale and steal my business. Sure, he won't make as much as I did, but he'll still be making about $200,000 a year and, for him, that's great.

Except, he bragged about his "money tree" when one of the neighbor kids was over visiting his son, and that nerdy little kid stole the idea, created his own website and starting selling refrigerators for just $1 over the wholesale price. Sure, he's not making $200,000 a year, but—hey—$50,000 a year is great money for a high school kid (except in California, of course).

Ahh, but then some clever Mexican willing to work for $500 a week, starts selling refrigerators for just $0.50 over the wholesale price . . . .

With each ensuing price cut, previous websites are largely put out of business. Thanks to search engines, anyone looking for refrigerators can quickly locate my website, my brother-in-law's, the high school kid's and the Mexican's. Then, all they have to do is shop among our websites to see who has the lowest total price and—bingo!—place their order. And what's the determining factor? Price. The Mexican will win most of the sales.

Can I take your order?

It's important to note that webstores seldom stock the refrigerators (or other products) they sell. Instead, most webstores are merely order-processing facilities. No matter whether you order a refrigerator from me, my brother-in-law, the nerdy kid or the Mexican, all we do is forward your order to the refrigerator manufacturer, and he ships a new refrigerator directly from his plant to your door.

Thus, it doesn't matter where the customer lives or the webstore is located. A customer in Chicago can shop just as easily for refrigerators on webstores located in Maine, California or even Hong Kong. If those webstores are all selling the same refrigerators manufactured in Seattle, once the order is placed, the freight costs will be the same from the Seattle plant to the Chicago customer no matter which webstore takes the order. There's no salesman involved to persuade you with his sparkling personality (and make a fat commission). The factory warranty is identical in every case. So, again, the primary issue is price.

Where price is the primary issue, price-based competition will be fierce and relentless. Internet competition could conceivably drive the price of all refrigerators sold over the internet to just *pennies* above the wholesale price set by the refrigerator manufacturer. Thus, internet competition won't merely bankrupt conventional retail stores, it will also bankrupt most webstores.

And why not? Properly understood, most webstores are simply billboards on the "information superhighway" which are designed solely to catch the potential customer's attention. Webstores don't build refrigerators. They don't stock 'em, and they don't ship 'em. They just take orders, pass those orders on to the manufacturer, and then the refrigerator is shipped directly from the plant to customer.

Although some webstores may flourish in 1999, they may not last long. Retail webstores have been successful primarily because a handful of brainy, adventurous individuals were among the first to try selling products over the internet. But as manufacturers slowly recognized the value, efficiency and necessity for internet sales, they've started building their own websites and selling their own products directly to customers at prices that neither retail "brick and mortar" stores nor webstores can hope to match. Thus, the internet should put a great deal of financial strain on most retail and wholesale businesses as business increasingly defaults directly to a products actual manufacturer.

Death of a middleman

Almost all American employees are "middle men". That is, somebody in Seattle builds a refrigerator that's sold to an individual in Atlanta. That's two people.

But before the Atlanta customer can buy the Seattle refrigerator, he has to know about it. That means there's advertising and media personnel filling the miles between the Seattle manufacturer and the Atlanta customer. These advertising and media personnel are trying to inform the distant potential customers and induce sales.

Then, there's wholesale warehouses and retail stores in Atlanta that display the Seattle refrigerators. And there's also railroad engineers, truck drivers and all the associated mechanics and gas station attendants who help keep the trains and trucks moving refrigerators from Seattle to Atlanta.

Thus, between the single manufacturer and the single final customer there's a *massive distribution system* consisting of hundreds of "middlemen" who directly or indirectly profit from moving refrigerators manufactured in Seattle to customers in Atlanta.

Although the degree of impact remains to be seen, the internet will eliminate many of those middlemen. Advertising (which supports almost all mainstream media) may become increasingly ineffective or unnecessary. (How can you "sell the sizzle" when the only issue on the internet is price?) There'll also be less need for wholesale warehouses and retail refrigerator stores.

While it will still be necessary to transport refrigerators from Seattle to Atlanta, even the demand for railroad and truck transport may be reduced since there'll be less need to stock a large number of prebuilt refrigerators in some Georgia warehouse. Instead, refrigerators may not even be *built* in the Seattle plant until the order is placed and even paid for by the Atlanta customer. Then the transportation industry will have to move just one refrigerator at a time to Atlanta.

Internet's one overhead

Obviously, the average cost of transporting one refrigerator to someone's front door is much higher than moving a carload of refrigerators to a traditional distributor or retail outlet. This increased cost for transporting goods on an individual basis (rather than "mass marketing) is the internet's only serious overhead and may save many "brick and mortar" stores from bankruptcy.

For example, once the Nike factory moves their sneakers to a local retail shoe store, the customers drive to the store, select the shoes they want and then transport them to their homes. Thus, the cost of final leg of our historic distribution system is "free" in the sense that it doesn't appear on a product's cost. The consumer actually "pays" the final distribution costs with his own time, gas, oil, and wear and tear on his car. While the consumer's personal cost for product distribution is considerable, it's taken for granted and largely "invisible" to most consumers.

On the other hand, when you purchase over the internet, you will pay the cost of shipping that product directly to your door. That

additional internet overhead helps keep brick and mortar stores competitive and viable. Even so, as people begin to realize the value of their own time, gas, and auto costs, they're realize the internet distribution system offers a better deal.

If the internet revolution cuts the real cost of products, it will do so primarily by *dismantling the traditional product distribution system* and making most "middlemen" unnecessary and unemployed.

But if the price of shoes and refrigerators fall, who will be able to buy them if the "middle-class" chain of distribution "middlemen" is largely unemployed? In a formula that at first glance seems paradoxical, lowered prices can cause lowered employment which, in turn, can reduce the market and cause lowered sales. If so, the internet's fierce efficiency may cause even the manufacturers' sales and profits to decline.

Thus, I conclude that the internet's fundamental impact on the world economy appears to be deflationary and depressing.

"Non-impulse" purchases?

Finally, there's the intangible issue of "impulse buying". You go to a "brick and mortar" grocery store to buy some milk and eggs. You see sardines on sale, some cheese, and a copy of the National Inquirer and—on impulse—you buy them. You go to the auto dealer to buy an inexpensive economy car but—on impulse—you wind up driving home in a much more expensive midsize auto.

I have no idea what percentage of consumer sales are based on impulse, but that portion must be substantial. When we're in a strange environment, when there's a salesman encouraging us to spend more—on impulse—we tend to buy more than we intended and often more we can comfortably afford. These impulse purchases strain our budgets and credit ratings, but they tend to stimulate the economy with additional "unnecessary" sales.

I have no evidence, but I suspect the average internet buyer is a lot less prone to "impulse buying". Internet websites report that a high percentage of potential buyers, fill out the order forms, select the products they wish to purchase, and then—at the last moment, just before they hit the "submit" button—they change their minds, decline to make the purchase and exit the website.

I suspect that "internet people" are less impulsive buyers than folks at brick and mortar stores. These internet people know they can shop for bottom dollar. If they're patient and persistent, they can get great deals at e-Bay auctions. They know that every email that warns they must "act now!" because some special opportunity "expires at midnight tonight" is just so much crapola. The same offer will be available tomorrow and next week and next year. Furthermore, whatever the price is today, it will be inevitably be even lower six months from now.

And unlike trips to the local store—when we contemplate buying on the internet, there's no charming salesman to seduce us into buying something we don't really want. When we buy on the internet, all we get is the purchase—we don't get the sense of approval that a good salesman bestows on customers who've spent their money on

his products. Instead, all we know is that when we buy a particular product, our bank balance will be diminished. Purchases made on the internet don't offer the same subjective satisfaction that we can receive from "impulse purchases" in brick and mortar stores.

Further, impulse purchases don't work well on the internet because most products are not instantly available. For example, if I go the grocery store and, on impulse, purchase some expensive smoked cheese, I get to eat that cheese just as soon as I pay for it at the checkout counter. Thus, my "impulse purchase" results in almost immediate personal satisfaction.

However, on the internet (unless I'm buying a digital product that can be instantly downloaded), there will be a delay of several days between whenever I make an "impulse purchase" and whenever I actually receive the product ordered. Internet shoppers quickly learn that even though you've got a taste for smoked cheese right now, there's no point to buying the cheese on the internet. By the time it arrives, your taste for cheese will be gone.

I suspect these factors tend to make internet buyers less "impulsive". Therefore, despite the internet's amazing capacity for placing instant orders, I have a hunch that the average internet buyer only buys what he really needs. That necessarily means he buys less than customers who buy in conventional stores. Less sales means less business, less profits, less employment.

Again, the internet's fundamental impact on the world economy seems likely to be deflationary and depressing.

Death of a loanshark?

The hyper-efficient internet distribution system may also have a significant impact on the need for business and consumer credit.

Insofar as the internet pushes businesses toward selling one product to one customer at a time (rather than mass marketing in a conventional store), the internet ultimately pushes manufacturers to maintain less and less inventory until, finally, they don't even make an individual product until the consumer orders one. Of course, this individualized manufacturing has the advantage of letting each consumer get his products made exactly to his unique specifications (size, color, bells and whistles, etc.). The consumer places his order and the factory quickly cranks out a product that meets his specifications, and ships it to him by overnight express mail. Total time from when the order is made until delivery can be as little as a couple of days and would probably never exceed two weeks (for larger items like cars, etc.).

Sounds pretty utopian, doesn't it?

But who will finance the manufacture of the product?

While credit-based sales will still take place, competition will inevitably drive manufacturers to favor customers who pay for the product with their order—*before* the product is even manufactured. If you essentially pay "cash" (use a debit card) with your order, the manufacture will save on his own credit costs and pass those savings to "cash" customers.

Even when credit is necessary, it will most likely be employed and paid for by the customer—he'll use his credit card or get a bank loan to prepay the manufacturer for the product.

The manufacturer's need for credit may also shrink since, with internet's "instant" ordering and manufacturing potential, there may often be little or no inventory to finance.

It's possible the net amount of credit needed to finance the manufacture of products may remain largely unchanged. The burden of securing credit may simply shift from the manufacturer (who no longer needs credit to create inventory) to the purchaser.

However, my gut tells me that the net amount of necessary credit will diminish if only because the entire process is so much quicker over the internet. For example, when Ford builds an automobile in Detroit, ships it to Dallas, and leaves it sit on the local dealer's lot, there is mounting finance charge until the car is finally sold. From the moment that car was built until someone drives it off the dealer's lot, Ford must pay interest on the loan that built that car. So if the car sits on the dealer's lot in Dallas for 90 days, Ford will pay far more interest than if the car were sold within a week. Faster internet sales should reduce the manufacturer's interest costs.

Insofar as internet sales are accelerated, the bankers may lose whatever portion of interest they'd previously expected to earn on cars sitting idle and unsold in "inventory". Thus, the internet may tend to reduce our collective need for credit. That can't make the banks happy.

Similar arguments can probably be made for insurance. Someone is insuring those cars while they sit unsold in inventory. How 'bout real estate taxes? What's the real estate tax on an automobile dealer's acres and acres of parking lot to display his vast auto inventory? What's the real estate tax on that same acreage if the internet reduces the need for a vast inventory to a mere showroom where customers can actually see and test drive auto's they will ultimately order over the internet and receive within two weeks? For that matter, what need remains to pave those auto dealer parking lots if there's no need for a vast inventory? What's that imply for the asphalt manufacturers and blacktop paving businesses?

Again, the internet's economic implications seem deflationary and depressing.[1]

The 'Net is alive with the sound of music

The music industry illustrates the internet's impact on the middleman economy. Thanks to the internet, musicians can market their music directly to customers as either downloadable electronic files or CD-records printed per order by the artists themselves.

Instead of receiving pennies from major recording companies for every record sold, musicians can conceivably receive several dollars from each sale and still cut the price of their records to a fraction of what the traditional record manufacturers charge. Thanks to the internet, records can be more profitable for musicians, and less expensive for customers.

How is that possible? Because the internet is rendering "middleman" record distribution companies obsolete. As those middlemen are removed, the cost of records falls. As a result, the big record manufacturers (who've controlled the profitable "middle man" distribution position between musician and customer for the last three generations) are suddenly screaming in fear of losing their lucrative positions of power and wealth. However, their cries may be in vain since they're fighting an irresistible technological wave.

But worse, there seems to be no effective way to enforce copyright on any text or music once it's been digitized. Even though the "middlemen" may be removed from the music distribution system, if the actual musicians sell just one copy of their digitized records over the internet, the purchaser can make an unlimited number of digital copies to distribute to his friends. Although the friends may love the copies, the musicians won't make a dime.

The internet first impacted newspapers and magazines and other information outlets. Now, it's impacting music. The telephone industry—so radically altered by deregulation (freedom) that cost of long distance service fell from 25 to 5 cents per minute in less than a decade—now faces competition from virtually free phone calls over the 'net. Soon, other industries may also be impacted as the remorseless internet removes more and more middlemen from our economic system.

Direct relationships

This chain of implications suggests that the one group of people best able to remain employed and/or profitable in the internet economy will be those who actually *create* or manufacture a tangible product or personal service—and sell that product or service directly to the consumer. In other words, if fierce price-competition bankrupts retail outlets (both "brick and mortar" and webstores), only manufacturers will remain to sell their products directly to customers over the internet.

If you don't have a product or service which you personally create or help manufacture, you may be unemployed. Of course, every American has a personal "creation" to sell: his labor. But where will you sell it? The local refrigerator store may be bankrupt and not hiring. Likewise, local tire dealers, gas stations, and concrete mixing plants may also be impoverished or bankrupted and unlikely to hire you. If most products are purchased directly from their manufacturers, there sure won't be many "Help Wanted" signs for store salesman, clerks, and stock boys.

While white collar executives working as "middlemen" may become less necessary and often unemployed, the internet's impact on blue collar manufacturing jobs may be minimal. Internet consumers may not need salesmen, ad men, and retail store clerks to promote and sell refrigerators, but they'll still employ the guy who *builds* refrigerators—assuming there are any refrigerator manufacturing facilities left in the USA.

Exported industrial base

Unfortunately, over the last generation, the U.S. moved most of our manufacturing facilities overseas to countries with cheap labor. Thanks to "free trade," Nike can pay peasants in Thailand just a few dollars a day to make sneakers to sell in America for $100 or more.

An "exported" industrial base seems to simultaneously exploit foreign workers and deprive American workers of jobs. But from an economic point of view, so long as America had a "middleman" economy based on an extensive *product distribution system*, it didn't matter too much if American corporations made our shoes in Thailand. So long as a vast number of ad men, salesmen, truck drivers, and store clerks moved Nike shoes from a pier in San Diego harbor to the customers' feet in Iowa, Georgia and New York—all those middlemen got a percentage of the final sale of those shoes. The reason Nike charged $100 for sneakers was to pay $80 to all the middlemen. Thus, even without the actual workers who *made* the shoes, American middlemen prospered by merely distributing shoes and could still support their families despite the loss of our industrial base. Consumer confidence stayed high.

Re-importing American industries

Unfortunately, in the upcoming internet economy, the need for middlemen may be reduced in the product distribution system. If so, where will these middlemen find new jobs? If the distribution "middle" is gone, the only remaining employment will be at the manufacturing "end". Figuratively speaking, the only people left to buy shoes will be the those who actually make the shoes.

But over the past 20 years, many of our manufacturing facilities and jobs were exported overseas. The shoemakers' plants are now in Asia or Central America. Therefore, the internet may force us to "import" manufacturing plants back into the USA.

How can these factories be "imported"? By erecting high tariff barriers to make foreign-made products prohibitively expensive and protect American manufacturing jobs. If multi-national corporations want to sell their products in America, they'll have to build it here, too—using American labor. It has to be that way. If we don't restrict free trade and bring the shoe factories back to the USA, Americans may quickly drive down the information highway into high unemployment rates and abject poverty.

If the internet decimates our middleman product distribution system, not many jobs will remain except for manufacturing. But if the majority of manufacturing facilities remain in Thailand, Mexico or Indonesia, we'll have a lot of unemployed, impoverished Americans.

Implication: the internet makes a prosperous America incompatible with international free trade. Without high tariffs and trade barriers, we can't hope to "import" manufacturing plants back into the USA and thereby provide American manufacturing jobs in the "internet economy".

But low tariffs and international free trade are the foundation for

global governance and a "New World Order". Implication: A prosperous America, the internet and the New World Order can't coexist. For any two to survive, the third must be destroyed.

Help wanted

Besides manufacturing, I can imagine three other general categories of employment that will survive and prosper (relatively) once the internet is fully established: farmers, blue collar craftsmen and government.

Government employment might increase if the internet precipitates widespread deflation and poverty. Americans may demand more bureaucrats just to distribute our welfare checks. But even this is uncertain, since government welfare is really just another distribution system operating outside of the free market. It's possible that the super-efficient internet distribution system may also replace the existing welfare distribution system and thus compromise some of the structure of traditional government.

However, plumbers, carpenters, electricians and roofers should remain employed to maintain our homes. A Chicago homeowner with a leaky pipe won't use the internet to hire a less expensive plumber from Seattle. He'll have to hire someone local.

Like most fundamental home construction elements, plumbing wears out and fails at a fairly predictable rate. Therefore, our demand for *home* maintenance personnel should hold steady despite the internet. (Of course, demand for *commercial* property maintenance personnel may fall if the internet causes a decline in the commercial real estate market.)

And farmers, of course, are essential. I might be able to get by with a leaky roof or a dripping faucet, but I can't live without food. The demand for agricultural products should not be badly diminished by the internet. More importantly, unlike American manufacturing plants which were exported to foreign countries to exploit cheap labor, you can't very well "export" the soil of an Iowa farm to Mexico The farms are here, can't be moved, can't be replaced, and will survive the internet.

In fact, I'd bet that the currently impoverished family farmer may thrive in the internet economy. After all, he's a true "creator" of a product we've got to have. His status should rise considerably if he can master the difficult job of marketing wheat, beef and eggs directly to consumers over the internet.

Beyond commerce

The internet's consequences may reach right into our homes and families. As unemployment rises, the first to be fired will be women and children. Kids will have less disposable income to get them into trouble. Women and children will be more dependant on husbands and fathers for support. Women, who currently file over 70% of all divorces, will gain new respect for their wedding vows. As respect for men rises, "angry white males" (like me) may become increasingly uncommon.

If this reasoning is valid, it predicts serious economic stress and revolutionary political pressures.

Nevertheless, I kinda like it. We'll have a world that holds farmers, blue collar workers, property owners and true creator-innovators in higher esteem than the white collar, corporate "middlemen" who've hustled us and each other over the last fifty years. We'll learn to value a person according to his actual work rather than his ability to hustle, hype and deceive. Feminism will be ridiculed. Men will be respected.

I expect it's gonna get scary. The internet may precipitate deflation, unemployment and recession or even depression. Our entire economic—and then political—structures may be forced to change into forms that would be unrecognizable and impossible just a few years ago.

I predict a very bumpy ride. Nevertheless, I think I like it.

Viva la internet revolucion!

[1] In fact, I thought during the bull market of the late 1990s that the reason we didn't seem much inflation was due to the internet's deflationary impact. Toward the end of the Clinton administration, everyone was allegedly getting rich on the stock market, the economy was hot, only fools weren't prosperous. During a period of such economic "heat" we should've expected some fairly high inflation rates. Nevertheless, according to official reports, the inflation rate remained surprisingly low despite the economic boom.

Why? I don't know for sure, but I suspect the inflationary forces being generated by the bull market in stocks and conspicuous consumption were offset by the new and largely "invisible" deflationary forces generated by the internet. Without the internet, we might've had higher inflation. However, now, without the inflationary forces of the bull market, etc., there may be nothing to the internet's deflationary pressures. Result? Recession . . . ? Worse . . . ? ▪

The Internet is Money

by Alfred Adask

As noted in the article "Title Wars" (this text), I have a book published by the Government Printing Office in 1903 entitled "Bills and Debates in Congress Relating to Trusts" (Senate Document 147 of the 57th Congress). In that book, Congressman E. R. Ridgely (Dem. Kan.) defined money as a mechanism for "distributing *title* to property".

What a powerful insight. It's an enormous insight. Money doesn't distribute property, it distributes *title* to property. I.e., when I buy a car, I don't precisely buy the physical car, I buy a *title* to the car. My rights to use, drive and sell that car all flow from the kind of *title* that I buy.

Today, we routinely speak of money as a "medium of exchange". But few realize that, unlike legal tender/ Federal Reserve Notes (which merely "transfer" equitable title and physical possession of property from the apparent seller to the apparent buyer), *lawful* money (gold and silver coin) implements an "exchange" of *legal* title (true ownership, not mere possession) of property from the seller to the buyer.

Essentially, my core hypothesis on the nature of money boils down to this:

1) An ancient principle declares that whoever owns the money, also owns whatever that money is used to buy. For example, if I send you to town with fifty of my silver dollars to buy a new TV, even though the receipt may show your name, the TV belongs to me because I was the legal owner of the money used to buy the TV.

2) Because Federal Reserve Notes (FNRs) are *loaned* into circulation, they remain the legal property of the Federal Reserve System until the original loan is repaid in full. If those loans are not repaid during the typical 9-month useful life of a FRN, every piece of green paper in your wallet is technically the legal property of the Federal Reserve System.

3) Based on items 1 and 2, I hypothesize that since the Federal Reserve System still holds *legal* title to the paper FRNs in your pocket, they should also receive legal title to whatever you purchase with

those FRNs. Because (figuratively speaking) you're using Alan Greenspan's "money" to purchase your TV, you only receive *equitable* title (right of use and possession—but not ownership) to the TV purchased with *Alan's* FRNs.

If so, it follows that, technically, Alan Greenspan and the Federal Reserve System should own legal title to "your" TV, and "your" car and "your" house, and everything else you've purchased with "his" FRNs.

If we accept my hypothesis concerning FRNs, then the Federal Reserve System is a perpetual "middleman" in virtually all financial transactions. That is, by using FRNs (or credit based on FRNs), we merely transfer equitable title (use) to property from the apparent seller to the apparent "buyer"—but the purported "buyer" is actually a mere "purchaser" and therefore does not receive legal title.

Instead, legal title (true ownership) defaults to the "middleman"—the Federal Reserve System who still owns legal title to the FRNs. Using FRNs is kinda like using Don King to promote your heavyweight boxing fight. You and your opponent get your brains beat out, and Don gets rich.

If the Federal Reserve System (or perhaps the government) actually owns *legal* title to our homes, cars and computers, we have no *legal* rights (which flow from legal title) to that property, and thus no standing to argue actions concerning that property in courts of law (whose purpose is to determine legal rights). Instead, we are perpetually condemned by our use of FRNs to live as beneficiaries and virtual slaves whose only judicial recourse is in courts of equity (not at law).

If anyone (including the wholesale distributor, retail distributor or final customer) in the traditional distribution system uses "middleman" FRNs to purchase the refrigerator manufactured in Seattle, legal title to refrigerator defaults to the Federal Reserve System. All subsequent sales merely *transfer* mere equitable title (which confers the right of use and possession) to the refrigerator from one party who first purchased equitable title to the next purchaser without affecting the Federal Reserve System's legal title (true ownership) to that property.

Enter the dragon-slayer

But, if (as discussed in the previous article) the internet truly slays the middleman economy—and if internet customers are theoretically able to buy *directly* from a product's manufacturer-creator without using the middleman Federal Reserve System—then it's theoretically possible for buyers to directly pay manufacturers in lawful money (gold or silver coin or "full legal tender" paper, but not legal tender/FRNs) and thereby secure *legal* title (not just equitable) to property bought over the internet.

Thus the internet could empower us to regain legal title, true ownership, legal rights and standing at law for our personal property.

The implications are intriguing.

Internet businesses and strategies already exist to provide alternate money systems. Bill Gates and Microsoft tried to implement a digital cash system over the internet about 1996 (which I suspect is the real reason the government went after Microsoft for antitrust violations). By using the digital cash credits, people could buy and sell products over the internet *without using FRNs*.

More recently, an operation called "e-Gold" ("electronic-gold") has sprung up to pay your bills over the internet in grams of gold. I have a problem with this strategy since customers first purchase "real gold" with FRNs to be deposited into their e-Gold accounts. Then they allegedly pay their bills in "gold" and derive some legal advantage over FRNs.

However, if my hypothesis about FRNs is correct, once you purchase your gold with FRNs, legal title to that gold should default to the Federal Reserve System. If so, legal title to any property you subsequently purchase with gold first purchased with FRNs should also legally default to the Federal Reserve System. Ergo: No obvious legal advantage to using e-gold.

Further, if you read Article 1, Section 10, Clause 1 of the Constitution closely, you'll see that it reads in part,

> "No State shall . . . make any Thing but gold or silver **Coin** a Tender in Payment of Debts . . . ." [Emph. add.]

Thus, lawful "tender" (not legal tender) consists of *coins*, not mere gold or silver. As such, I see no immediate legal advantage in creating a money system based merely on grams of gold. You might just as well pay your debts in pearls or buffalo chips.

Coin-based banking

However, I suspect that an internet banking system that paid bills in *lawful* money (pre-1933 gold and silver coins) might escape the Fed's middleman monetary monopoly. This suspicion hinges on the one exception to my FRN hypothesis: It appears that lawful money (gold or silver coin minted before 1933 by the mint of the United States of America) always carries *intrinsic* legal title.

That is, even if you buy lawful money (coins) with FRNs, I believe the legal title remains "within" the coin/ money. If so, each gold and silver coins is a kind of bank, a savings account for legal titles (real wealth). To have real "tender" (gold or silver coins) is prima facie evidence that you have a lawful right to own legal title to property. (If this hypothesis were true, it might explain why the pre-1933 coins are still in circulation and weren't seized after 1934. Unlike gold bars and gold certificates, the government had no claim on lawful gold or silver *coins*.)

The lesson in all this is that the real value of gold or silver coins is not the weight of their intrinsic precious metal, but rather their intrinsic capacity to exchange (and effectively "store") legal title to property. Real wealth does not consist of gold, but rather legal title. Perhaps that's why God warned that the love of money (the sub-

stance) is the root of all evil. Maybe the love of gold is misguided, ignorant and shortsighted. After all that's only the "medium" of exchange. True wealth is legal title to property—the *right* that gold and silver coins can convey. If so, we'd all be better off to focus on protecting our rights (which flow from God) rather than our cash and credit (which flow from the Federal Reserve System).

So long as lawful money retains intrinsic legal title, it's a medium of *exchange* (of legal title) rather than a mere medium for *transfer* of equitable title.

But even in the unlikely event that FRNs convey legal title to gold and silver coins to the Fed, how can anyone prove who owns legal title to a coin without a receipt? Lawful money has no serial numbers, so even if a particular coin has been purchased with FRNs, unless there's a receipt that specifically identifies each particular coin and denominates its most recent purchase in FRNs (symbolized by the $-dollar sign with a *single* vertical line) rather than lawful money (symbolized by the $-dollar sign with *two* vertical lines), I don't think the Federal Reserve System can actually prove it owns or ever did own legal title to a particular coin.

In the case of lawful money (coin), "possession is nine-tenths of the law," so it would be difficult for government to overcome the presumption you legally own whatever lawful money (coin) is in you possession.

So, suppose an internet bank were created which only accepted deposits in lawful money (pre-1934 gold and silver coins) and used that lawful money to pay for whatever products you bought over the internet. The bank would work as a kind of clearing house which could send the physical coins to the seller or alternatively, fill the seller's account with the actual coins moved from the buyer's account.

Real banking. Real money. Real *legal* title to property for the public. Restoration of *legal* rights. Standing in law (not equity). Personal freedom in a Republic rather than privilege or license of the Democracy. All of this could flow from an internet-based banking system using of lawful money.

Back to basics?

Most people view the internet as "merely" an extraordinary communications system. See, y' gotcher text, y' gotcher chat rooms, y' gotcher internet radio and TV. Moolti-media on the info-mation sooper-highway!

Very impressive. (Gee, what'll they think of next, hmm?)

More "advanced" students of the internet see it as the key to "e-Commerce"—the world's most efficient product distribution system. Of course, even though the internet can *enhance* the distribution of products, it can't actually replace the physical distribution of products. Yes, orders for products can be placed at the speed of light over the internet, but actual delivery will still take several days to construct the product, load it on a truck and haul it to the consumer.

But. If the internet can't distribute physical products through your telephone wires, with digital signatures and encrypted codes, it

might be able distribute *title* to products through those wires. For example, there's no technical reason why an automobile title can't be sent to a new purchaser over the internet rather than by mail.

But remember what the Congressman Ridgely said back around 1900? "Money is a device for distributing *title* to property."

Lessee . . . as I recall, the rules of logic mandate that if A equals B, and B equals C, then A equals C . . . right?

Then if Money equals Distribution of title, and Internet equals Distribution of title, then Internet equals . . . Money?

Fascinating hypothesis, hmm?

Back to barter?

The fundamental purpose for money is to escape the historic difficulty of a barter system. In other words, if one has a pig he wants to sell and another man has some corn he wants to sell, there's always a problem trying to equate an exact quantity of corn for the pig. Worse, if the pig farmer wants a new plow, but doesn't need any corn, the corn farmer can't sell his corn, no sale is made, and both parties are stuck with products they own, don't want, can't sell and will therefore probably rot.

With the invention of money, a pig farmer can sell his hog to corn farmer for money, then take that money to town and buy an new plow. Money eliminated the fundamental problems of 1) precisely matching the products created by one person to the products created by another; and 2) precisely matching the seller's and buyer's need.

But with the internet's capacity to sort millions of transactions per second, why couldn't we return to direct bartering over the internet? For example, if I wanted a new $500 TV, there's no fundamental reason why I couldn't exchange $500 worth of *AntiShyster* subscriptions or advertising space to pay for that TV. Yes, there'd be some conversion problems in terms of agreeing whether a new TV was worth 15 or 20 subscriptions, but that could all be worked out through e-auctions similar to those that already exist on the internet. If I had already taken 20 orders for subscriptions and used them to fill up my electronic bank account as *assets* (not credits), I could barter (directly exchange) those 20 orders for a TV. Since I'm *Suspicion's* creator, I own legal title to the subscriptions and advertising space I'm selling and the orders I'm receiving in exchange.

Thus, over the internet, I might be able to *directly* exchange my legal title to the subscription-orders for legal title to the TV (owned by the TV's manufacturer-creator)—without using the Federal Reserve's "middleman" FRNs.

Under a direct, computerized bartering system, legal title could be exchanged to products *without any intervening medium* other than the internet itself. Broadly speaking, I could trade the 20 orders for subscriptions for the TV without gold or silver coins, without grams of raw gold, without checks, credit cards, and even without FRNs.

If I can do business over the internet without conventional money (media of exchange), then the internet itself *becomes* the "medium of exchange".

This suggests that, properly understood, the internet is not simply a place to make money or spend money—the internet *is* money.

Potentially, the internet is a replacement for gold, silver, checks, credit cards, and Federal Reserve Notes. As such, the internet is more than a whiz-bang communication device on the information superhighway. Way more. More than the world's most efficient "distribution system" for products and services. *Way more!*

It appears that the internet is capable of functioning as a "medium of exchange" for legal titles to property directly from the manufacturer-creator to the buyer. If so, the internet is not merely a way to make money, or count money or even a place to get rich. Instead, the internet *is* money.

If so, the internet directly threatens the world's entire banking system and all of that system's underlying legal and political systems. That means those guys must either destroy the internet or figure out how to own it (just like FRNs) as their own property.

Prometheus II

If this conjecture is valid, the internet's importance ranks right up there with the invention of the wheel and the discovery of fire.

And just as the ancient Greek gods chained and tormented Prometheus for giving fire to man, you can bet that today's "gods" (bankers, globalists, politicians, etc.) will soon be screaming to limit, restrict, license, control or (ideally) destroy the internet's electronic fire.

Remember, we've explored the possibility (in the previous article) that the internet's fierce efficiency and price-competition will foster: 1) reduced prices (deflation) and 2) increased unemployment (recession or even depression). That'll make a lot of ordinary folks mad.

Moreover, if the internet is a new form of money that threatens to dismantle the world banking system, the bankers will be irate. If so, the internet may soon have a hoard of powerful enemies—or at least men who are fiercely determined to own and control the internet.

Despite all the praise and excitement currently surrounding the internet, the time may be coming when internet stocks crash, websites are finally seen as barren money trees and public praise turns to fear or fury. If so, public hostility will be fanned by self-serving banking and political systems seeking to own or destroy the internet.

An irresistible force?

But I doubt the bankers and politicians can destroy the internet. The internet is already so firmly intertwined in our socio-economic-political system, it's unlikely that it can be excised even now without killing the system itself. Further, even if the internet's destruction were theoretically possible, it's growing and evolving at a rate too fast for globalist bureaucrats to react to or even comprehend. The "gods" may regret letting mortal man receive fire and the internet, but once the gift's given, it's unlikely to be returned.

If the internet can't be destroyed, I'd bet the earthly "gods" (international bankers) will do it the "old fashioned way" and try to buy the internet. If some single institution (similar to the Federal Reserve Sys-

tem) could "own" the entire internet, that institution would also own the internet "medium of exchange" (just as Federal Reserve System currently owns Federal Reserve Notes). If so, legal title to products purchased over "their" internet might theoretically default to "them".

The problem with "owning" the internet is that the internet is an international structure. While I can imagine our government granting "ownership" of the U.S. portion of the internet to some U.S. institution, how will the U.S. government also grant ownership of that part of the internet lodged in France, India and Brazil? And if government doesn't own *all* of the internet, it's claims to own any of it are suspect.

Since the internet is international, the only way the internet can be owned is if that owner is an agency of a single world government. But as noted in the previous article, it appears that the primary economic force of the internet will be to restore domestic manufacturing, encourage high protective tariffs and end free trade—all of which is contrary to the principles of the New World Order.

So how can a world government own the internet, if the internet is antithetical to world government?

The contradiction makes me laugh.

The New World Order's got a serious problem. How can they control the world from a single centralized source, if the internet is uncontrollable and fosters *decentralized* individual power?

Things to come

I applaud the internet's potential for foiling the New World Order, but I still suspect that by 2005, the internet may cause serious economic dislocation. This dislocation may easily precipitate revolutionary political change. Unemployment rates of 20% to 30% are conceivable, and any political outcome is possible in that context. Some of us may be impoverished. Some may die. Maybe me.

Still, I welcome the internet. It's efficiency offers a fierce justice that may push us back toward a kind of honesty where "political correctness" is damned and people are paid what they're worth—no less and also no more. If so, the internet may discredit the value system of our de facto government and restore respect for unalienable Rights.

And if the internet is "money," it may even help dismantle the existing banking system, the love of which . . . .

Well, boys and girls, that's today's sermonette. It may be hard to follow and harder to swallow. But if anyone asks, tell 'em you heard it here first:

The internet is more than a glorified communication network and more than a product distribution system. It is, potentially, a system to distribute and directly exchange *legal title* to property. As such, the internet is a "medium of exchange" and potentially, not merely a place to spend money or make money, but an incredible new *form* of money.

Curiouser & Curiouser—
Invisible Multiplication

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

John Adams
at the Constitutional Convention (1787)

"It is well enough that the people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning."

Henry Ford
founder of the Ford Motor Company

Corporations & the Multiplier Effect

by Alfred Adask

In February, 1999, Dr.s William Heffernan, Robert Gronski, and Mary Hendrickson (professors in the Department of Rural Sociology at the University of Missouri) presented a paper entitled "Concentration of Agricultural Markets" to the National Farmers Union. That paper outlined fundamental changes in the social structure of rural American communities imposed by *corporate* agriculture.

One of the report's most astonishing assertions was:

> Today, most rural economic development specialists discount agriculture as a contributor to rural development because of the food system's emerging structure.

Imagine—*agriculture* is being "discounted" as a contributor to rural economic development. For most of rural America what else is there besides agriculture to provide a foundation for their local economies? Moreover, what "structural" change could've happened that would cause *farming* to become irrelevant to rural economic development?

The authors continued:

> Formerly, in most *family* businesses . . . profits were . . . distributed *locally* among labor, management and capital. . . . [I]t made little difference how the profits were distributed . . . since the *local* family spent most of their profits in their *local* community. Thus, the rural community *retained all of the profits* [derived from local farms] and those profits. . . . contributed to the economic well-being of the community."

> Today, however, large *non-local* corporations, whether hiring local labor as wage earners or piece rate workers, see labor as just another input cost to be purchased as cheaply as possible. . . . Instead of being spent locally, farm *profits* now go to the company's *distant headquarters* and are then sent to all corners of the globe to be reinvested in the food system. [Emph. add.]

Thus, by reducing family farmers from *owners* to mere managers, laborers, growers or sharecroppers, the globalized, corporate food system sucks farm *profits* out of local farm communities, leaves rural communities to survive on farm *wages* alone, and thereby impoverishes entire rural communities.

To illustrate, consider farmer John Brown who (with his family) successfully owned, managed and worked an Iowa farm in 1950. When farmer John passed on, he left the farm to his son (farmer Bob) who took out a bank loan in the 1960s (when agriculture was hot), failed to repay the loan in the 1970s (when agriculture went cold) and lost ownership of the farm through foreclosure.

When the new owner (a corporation headquartered in New York) bought the Brown's Iowa farm, they "generously" allowed Bob Brown and his family to continue managing and working the farm (just as his father had).

Bob's family was pleased. Even though they'd lost actual ownership, they could still manage and live on "their" farm without suffering the humiliation of being driven off the land. Besides, their corporate owners provided a good medical, dental and life insurance policy. So maybe losing ownership wasn't so bad.

But no matter what sort of wages or insurance Bob's family received as corporate employees, they (and their local community) did not receive the farm *profits* (perhaps 20% of the gross income). Instead, those profits were whisked out of the local Iowa community where they were created, sent to the corporate owners headquarters in New York and spent wherever the corporation wished.

If all the farms in this rural Iowa community were owned by distant, non-local corporations, none of the community's farm profits would be spent within the community where they were created. So, if we had 20 local farms that each generated an average of $50,000 in profits per year, $1 million in profits that would otherwise be spent locally would instead be transferred to corporate headquarters in New York.

A million dollar loss can be significant in small, rural communities. As a result of this corporate drain, $1 million worth of televisions, microwave ovens, new cars and similar products that might otherwise have been bought and sold in the local community will not be bought. Further, because the local electronics and automobile dealers won't sell as many TVs, microwaves and cars, they will also suffer reduced profits and also be less able to purchase additional products from their neighbors.

Invisible Multiplication

The "Concentration of Agricultural Markets") paper also explained:

> So long as family businesses were the predominant system in rural communities, newly generated dollars [profits] in the agricultural sector would circulate *in the community*, changing hands from one entrepreneurial family to another three or four times before leaving the rural community. This "**multiplier effect**" greatly enhanced the economic viability of the community. [Emph. add.]

This "multiplier effect" is a subtle concept to grasp, but its effects are not confined to rural communities. In fact, the multiplier effect is regularly seen in the competition between big cities to attract tourists and conventions.

For example, suppose the National Fireman's Association wants a place to hold their annual three-day convention. And suppose that convention will be attended by 2,000 firemen who will spend an average of $1,000 each on hotel, food, taxis, souvenirs and entertainment. That means the city that wins that convention will add $2 million into its local economy.

That's good for local business, local workers and local politicians. The hotel owner makes more money and buys a new car; the car dealer makes more money and buys a new TV; the TV dealer makes more money and makes a down payment on a new house. Everybody profits from the extra money.

As a result of these cascading sales, economists guesstimate that every outside dollar brought into a community changes hands as much as three to seven times and thereby "multiplies" into the equivalent of an extra $3 to $7 for the local community. This "multiplier effect" means that the extra $2 million actually spent by the fireman conventioneers will "magically" generate the equivalent of *$6 to $14 million* of additional local business. That's why the City of Chicago will fight tooth and nail with the City of Miami to host the Fireman's Ball. The city that brings in $2 million may get a $10 million economic boost.

A zero sum equation?

But what economists don't talk about are the *negative* consequences of the multiplier effect. While a local community might generate an additional $5 million in business for every $1 million in convention dollars it attracts, what happens to the communities that lost the $1 million in the first place? Doesn't it seem logical that the multiplier effect would cause the communities that lost $1 million to also suffer a $5 million "multiplied" loss in local economic activity?

After all, if the multiplier effect is real and it didn't generate "multiplied" losses at the community "source" of the money equivalent to the "multiplied" gains at the receiving community, we could all become infinitely wealthy simply by spending our money somewhere far from home. If I had $100 to spend, I'd just go spend it in your

community and you'd get a "multiplied" $500 benefit. Then you could take that $500 and spend it in my community, and my community would get a multiplied $2500. Then we'd take the $2,500 and spend it in your community, etc. etc. It would be the economic equivalent of a perpetual motion machine.

Obviously, that makes no sense.

Instead, the most likely way for the multiplier effect to work is as a "zero sum" process. That is, if you can take $1,000 from Chicago and spend it in Dallas and Dallas gets a "multiplied" $5,000 benefit, then it follows that the Chicago economy should have suffered an equivalent $5,000 "multiplied" loss.

Multiplied farm losses

When farmer Bob went to work for the new corporate owner of his former family farm in Iowa, Bob might've received higher wages and better benefits than he ever made when worked for his Dad (farm *owner* John Brown). Maybe his dad paid him $30,000 a year, and the corporation pays him $40,000—plus a dental plan. Such a deal! Sure, he lost ownership of the farm but, hey, he's doin' better than ever before. (Better living through incorporation, hmm?)

However, because 1) the $50,000 in farm profit that former farm *owner* John used to spend in the local community has been vacuumed out and sent to corporate headquarters in New York; and 2) the multiplier effect of this loss may be equivalent to an "invisible" *$250,000 loss* to the local community—the local community will lose its former economic vitality and begin to "mysteriously" run down.

Thus, although the new corporate farm manager makes more money as a salary, his personal gain is more than offset by the multiplied loss to the community caused by the exportation of *local* profits to *distant* corporate headquarters.

So if our hypothetical Iowa farm town sold 20 local farms to distant corporations, there might be 20 farm managers making better money than they'd ever hoped to make. They might even hire several farmhands for each corporate farm. Because they created more jobs, the new corporate owners would be praised and admired by the entire rural community. But if the 20 farms each "created" an annual $50,000 profit, and if that collective $1 million in profits were transferred far away from the local community to the distant corporation headquarters—then a 5X "multiplied effect" of the measurable $1 million loss might cause the equivalent of an "invisible" *$5 million* loss in local economic activity. Should we be surprised if a rural community subjected an annual $5 million loss "mysteriously" withers into a ghost town?

Man does not live by jobs alone

When the local economy first begins to decline, the local TV dealer and Ford franchise will make some extraordinary deals just hoping to stay in business. And of course, corporate farm *manager* Bob will thank his lucky stars he's got the distant corporation to pay his wages while his local community slips into a mysterious depression. Fur-

ther, being one of the few well-paid individuals left in the community, Bob could even make some great buys at his neighbors' "going out of business" sales.

But in a year or two, the New York corporation that owns the farm will call farm manager Bob to tell him that due to falling wage scales in his community, they can no longer afford to pay him $40,000 to run the farm. In fact, since the former local Ford dealer (who went broke and lost his franchise) is willing to run the farm for $25,000 a year (and no dental plan), manager Bob is out unless he's willing to accept a $15,000 pay cut and work for $25,000 (that's $5,000 less than the $30,000 he used to make when his dad owned the farm).

Now what?

As long as the *profits* are drained from the local economy and sent to a distant corporate headquarters, the "multiplier effect" may cause the local community to slide deeper into depression.

If so, in another year or two, the distant corporate owner might call again and tell corporate farmer Bob to accept another pay cut (now the former TV dealer is willing to manage the farm for just $20,000 a year). And so long as local profits continue to be exported to distant corporations, local competition for work will eventually drive wages down to a subsistence level.

Man does not live by wages alone

Implication: Wages alone are not enough to sustain a local community; *profits* are the lifeblood of any community.

Why? Because in any business, profits are not simply what's "left over" after you deduct your costs for labor, material and overhead (like rent). Instead, I suspect that profits are to some extent a "created" form of money. If so, profits have a "magical" impact that is "multiplied" and thus far greater than the mere numbers might suggest. I suspect that insofar as profits are "created," they are "new money" injected into the local community. As such, the economic effect of these newly created profits should be identical to the effect of the money brought into town and spent by visiting firemen at their national convention. For every $1 of locally-created and locally-spent profit, the local community might get a $5 boost in economic activity.

Thus, one small farm's (or store's) $50,000 annual profit might generate a multiplied benefit to the local community of $250,000. Even though the farm owner might not be particularly wealthy, by spending his profits locally, he would be making a "multiplied" contribution to his community far greater than his own income. If so, "created" profits are the magical fuel for economic growth. Children would be healthy, schools safe, parents optimistic, and the community would be a "good place to live".

In a sense, profits are our "savings". They are the cushion we need to carry us over unexpected expenses like a tornadoes, crop failures or birth of another child. Without profits, a community can't cope with emergencies or even afford to have more children without sinking deeper into poverty.

For example, if a community of 100 persons earns $10,000 in total wages a year, the average income per person (standard of living) is $100 per year. If that community has ten more children but their wages remain the same, the average income per person will drops to $91 per year. Without profits, communities not only sink into poverty, they wither in size and tend to become ghost towns.

Functionally, profits might be described as the "rent" paid to *owners* (of land, factories, etc.). Thus, profits flow to *ownership*, to legal title a property. Once a community loses *local* ownership of local land, industry or retail businesses, whatever profits that community generates and would otherwise enjoy, will be sucked out of that community. Given the "multiplier effect," the resultant losses to the local community can be devastating.

The devil's in the distance

The problems caused by "distant" ownership of property are fairly easy to see in the rural farm setting, but the very same process is going on all over the world. For example, when Walmart builds a new "mega-market" in Dallas, it inevitably bankrupts scores of mom-and-pop family businesses that used to sell food, hardware or magazines. Nobody cares. Those mom-and-pop operations were "small time" and probably never made more than $50,000 profit a year, anyway.

Dallasites think we're getting a good deal from Walmart because we're promised cheaper prices and more jobs. But we ignore the fact that we'll probably lose even more owners from "mom and pop" stores bankrupted by Walmart competition. More importantly, we'll lose the *profits* (and local "multiplied" effects) that mom and pop stores used to generate.

But given the multiplier effect, the $50,000 profit of each of those mom-and-pop businesses might've "multiplied" to generate the equivalent of $250,000 a year in local economic activity. So if Dallas loses 100 mom-and-pop businesses to install one Walmart, the Dallas community may be collectively (and "invisibly") impoverished by $25 million a year as former "multiplied" mom-and-pop profits are sucked out of Dallas (where "mom and pop" would've spent them) and sent to Walmart's distant corporate headquarters.

To illustrate further: Suppose the old mom and pop appliance store used to sell microwave ovens for $100 and made a $20 profit. But then Walmart came to town and started selling the same microwave for just $85. That $15 savings looks like a great deal to Dallas consumers, and any loyalty they might've felt for the old "mom and pop" store disappears. Hooray for Walmart!

But bear in mind that when mom and pop sold microwaves for $100, their $20 profit was re-spent right there in their *local* community. Result? The multiplier effect turned that $20 profit into another $100 in local economic activity for their community.

Note that an additional 5X "multiplier" applied to a 20% profit margin creates an added "effect" roughly as great as the original $100 sale. In effect, by buying one microwave from mom and pop, we "magically" empowered our community to *buy one more*. By spending

$100, we created a $20 profit which "multiplied" into $100 collective benefit.)

But when we replace scores of local "mom and pop" stores with one super Walmart, we send all those local profits back to the distant corporate headquarters. Thanks to Walmart, the $20 profit and the $100 "multiplied effect" that mom and pop used to generate simply disappears from the local community. Thus, even though each of us may save $15 by buying microwaves at Walmart, our community may be collectively impoverished by $100 in lost economic activity for every microwave sold. Result? No matter how much we seem to save individually, we are collectively impoverished by an even greater sum every time we buy from a *distant* corporation's local store.

And does our local government discourage Walmart from building in Dallas? Noooo! We offer *tax breaks* to entice 'em into our community! Of course, by giving tax breaks to foreign corporations, we necessarily increase the tax burden on local residents as we simultaneously bankrupt local mom-and-pop operations and allow distant corporations to suck the profits (and vitality) out of Dallas. We are thereby essentially paying distant corporations to rob Dallas and force its most productive citizens to flee to the suburbs.

Look at the various Black "ghettos" in Chicago, New York, etc. How many of the businesses and apartment buildings located in those Black communities are *owned* by *local* Black residents? Not many. Not enough. Therefore, most of whatever profits are generated within a Black community tend to be instantly "exported" to other, distant communities. But if the multiplier effect is valid, *local* Blacks must own *local* black businesses and keep Black profits in Black communities to stop their collective slide into poverty. (In the end, a "ghetto" is not a place where minorities congregate; it's a place where the local people don't *own* legal title to their homes, businesses and profits.)

And Blacks shouldn't be conned into believing that a business owned by a "brother" who lives *outside* the community is preferable to a business owned by a Korean who lives *in* the Black community. The issue is not race, but *local* ownership.

If this scenario is valid, we'd better all begin to value whatever local owners we still have. Owners receive profits, and profits are the "new money" coming into a community that—"multiplied"—makes the entire community prosperous.

Multinational vampires

And what about the effects of multinational corporations? If the multiplier effect holds true, then every foreign corporation is essentially in business to suck the life out of local communities and nations. If that description seems extreme, consider all of the third world nations where corporations have established themselves. Are those "corporatized" nations growing richer or poorer? Ohh, they may point to some refineries and factories and other expensive symbols of progress, but what about the average native of those third world nations? Will wealth in the form of factories and refineries that the corporations bring to the third-world countries "trickle down"

and thereby enrich the local poor? Not in the long run.

Instead, the locals will become collectively poorer. More impoverished. And of course, as the nation becomes increasingly impoverished, it also becomes increasingly desperate to attract additional foreign corporations because they will "create jobs"—even if those jobs offer only subsistence-level wages! The problem is that while foreign corporations may, indeed, create local jobs, they inevitably destroy local *owners* and thereby suck the local economy's lifeblood—profits—out of the local economy. Result? More flashy skyscrapers in the capitol and deeper poverty for the average native.

At first, these third-world nations don't realize that the more foreign corporations they attract, the more local profits they lose, the greater the negative "multiplied" effect and, ultimately, the more impoverished they become. However, they eventually sense the relationship between their poverty and the presence of foreign "influences" (corporations), and start a revolution for the purpose of ejecting the foreigners and seizing the foreign-owned land and factories.

Frankly, I don't blame 'em a bit. Multinational corporations which purchase ownership (and thus, profits) of third-world land and factories are sucking the life (profits) out of these poor people and their countries. Like any other parasite, they must be excised for the host to survive.

Almost inevitably, the revolution will seek to "nationalize" the foreign corporations and convey ownership (and profits) from the foreign corporate headquarters to the third-world nation's capitol. Admittedly, that's an improvement since the new government-owners won't be quite as distant as the former foreign corporate headquarters. Nevertheless, these idiotic socialist and communist revolutions usually miss the fundamental point: ideally, ownership, profits and prosperity are only available to those communities where *local* individuals *own* legal title to the "means of production" and thereby retain the "multiplied" benefit of their own profits. But revolutions that replace distant corporate owners with distant national owners generally result in little change or benefit for local people. Without local ownership and local profits, poverty continues.

Corporate colonization

Distant ownership (and claim to profits) of local communities is the dream of every king, tyrant, and greedy self-serving executive who've every walked the earth. In the past, claims to the profits of distant communities were made through the Huns' plunder, Rome's empire, and the European colonies. Today, corporations are simply the modern instrument for achieving "distant ownership of local property" (less charitably known as "looting").

From an historical perspective, those domestic, foreign and multinational corporations that routinely seek to own and export property far from their corporate headquarters are identical in purpose and adverse effect to the Thirteen Colonies England planted in America. As such, corporations can be fairly described as instruments of modern colonization.

Just as our Thirteen Colonies were chartered by the King of England, so are our modern corporations chartered by our current state and federal governments. Just as England operated the Thirteen Colonies for the purpose of extracting unearned wealth (profits) to enrich King George, so modern corporations operate for the primary purpose of extracting the profits created by local "corporatized" communities and sending them to some distant corporation—who splits them (through corporate income taxes) with the government that granted the corporate "charter" (a limited liability license to steal).

For all practical purposes, when an Iowa farm community sells its farms to Archer-Daniel-Midland, it's been *colonized*. It's voluntarily agreed to surrender *ownership* of its productive resources (farms) and the attached profits (community life blood) to some foreign corporation.

Similarly, when the City of Dallas gives tax breaks to entice another out-of-state corporation to build a facility in Dallas, it may enjoy a short-term gain in terms of "job creation" but long-term, Dallas will be impoverished by that foreign corporation's profit-taking. As distant corporations move into "Big D," Dallasites become increasingly "colonized" as they send more and more of the profits of their labor to some distant corporation. The more intelligent and affluent Dallasites sense the growing poverty and therefore move to the suburbs. The result is the same "bull's-eye" effect seen in almost every major American city: A dark, inner circle composed of impoverished minorities who own nothing, surrounded by lighter ring of affluent White suburbanites who enjoy a high concentration of business owners.

Local ownership

Is there a solution? Sure.

Private property.

Private, *local* ownership of the means of production.

Foreign corporations should almost never be allowed into a community. In those rare instances when foreign corporations are granted entry, part of the condition of sale might be that at least half the stock in the local corporate facility (and thus over half the profits) must always be owned by local residents.

The lesson in the farmer's "colonization" and subsequent poverty is pretty clear: To prosper, a community doesn't merely need wages, it needs *profits*. Profits flow to *ownership*. Distant ownership results in loss of local profits which, due to the invisible "multiplier effect," can be far more devastating than simple accounting figures reveal. Thus, local prosperity depends on *local* ownership of productive resources. Prosperous communities don't need programs to create *jobs*, they need programs to create *owners*.

Just as agriculture is being corporatized, colonized and impoverished, so are you and I. Distant ownership of local productive resources is the essence of the New World Order.

Conversely, the genius of the American Constitution and foundation for our nation's original prosperity may have been the creation

of a political system of 1) decentralized government and 2) private ownership of property for common people. Both of these characteristics were previously unknown in European monarchies where all wealth, property and profits were owned by each nation's solitary king. Could it be that our Constitution unwittingly created a society that functioned in accord with the "multiplier effect" and thereby made American prosperity possible?

I believe the answer is Yes.

Today, if we sell our resources (including our labor) to distant corporations, we inevitably impoverish our local community and leave less to our children than we ourselves received. No nation can surrender its "inheritance"—private, *local* ownership of *legal* title land, labor and similar productive resources—without suffering increased poverty, violence and even revolution. ■

Better Living Through Alchemy

by Alfred Adask

As explained in the prevous article, economists recognize a "multiplier effect" which mysteriously increases the beneficial economic impact of new money added into a local economy. In essence, each dollar you bring into an economy from an outside source generates somewhere between $3 and $7 in additional "economic activity". In some mysterious sense, that one "new dollar" effectively translates into the equivalent of $3 to $7.

This "multiplier effect" is obviously a slippery, counter-intuitive concept. Turning one dollar into three, five or seven sounds more like alchemy than economics. But whatever the mysterious multiplier's magnitude, its reality is demonstrated by fierce competition between various cities and states for tourist and convention dollars. Those cities understand that for every $1 they attract into their city, they will will enjoy roughly $5 in additional economic activity.

But what cities don't know (or at least don't talk about) is the *negative* consequence of the multiplier effect. For example, if a local community enjoys a "multiplied" $5 million benefit for every $1 million in tourist or convention dollars it attracts, what happens to a community that loses $1 million when it's citizens fly south to Disneyworld? Doesn't it follow that the multiplier effect should cause the community that loses $1 million to suffer a $5 million loss in local economic activity?

The hypothesis that there is a negative multiplier effect lends itself to some intriguing conjecture. For example, let's explore the nature of . . .

Wages vs. profits

Wages alone will not sustain a local community; *profits* are the lifeblood of any community's prosperity.

Why? Because in any business, profits are not simply what's "left over" after you deduct your costs for labor, material and overhead.

Material costs and overhead are largely fixed, and labor rates are generally set at just enough for workers to survive on a hand-to-mouth basis.

But profits are largely the wealth that you *create.* When an owner assembles $100 worth of labor and material into a product and then sells it for $200, I suspect that through some strange alchemy, he has "created" the extra $100 in profits. And in some mysterious fashion, these creations are the primary fuel for economic growth.

Do I know how the mysterious growth takes place? No.

But I have a hunch.

I suspect that at least part of our profits are "created". I.e., the ability to assemble $100 in labor and material into a product that people value at $200 is a creation of "values"; a recognition of the value of one's *ideas*.

It's relatively easy to assess a value for a man's labor or the cost of the raw materials that go into a product—those values are generally obvious and "settled". But what is the value of the *idea* of the owner who designed the product? What is the economic value of the imagination of the man who first conceived the wheel, the light bulb, or the integrated circuit? What is the economic value of human creativity? Whatever that value may be, it is not "settled" or easily determined. Perhaps "profit" is the term that corresponds to that value.

If so, the multipled effect that I attribute to profits may not be so fantastic and hard to believe. I'm simply guessing that, instead of a two-part economic formula for determining price (value of labor + value of material), there is a three part formula: value of labor + value of materials + value of creative effort. More, I'm guessing that even though the values of labor and material are fairly tangible and easily "seen," the value of creativity is just as real, despite the fact that the intangible creative effort is largely invisible.

Thus, when an owner assembles $100 in labor and material into a product he sells for $200, perhaps that extra $100 "profit" was not precisely spun out of thin air. To some extent, the $100 profit reflects the owner's contribution of creative effort needed imagine the product in the first place. This isn't such a stretch. The owner's personal creativity is fundamentally identical to the personal effort of the laborer who assembles the product. One works physically; the other works intellectually. Material reflects the cost of nature. Labor reflects the cost of muscle. Does "profit" reflect the cost of mind . . . ?

While the "profits-as-creations" analysis is confused and seems questionable when dealing with manufactured products, it's more easily imagined when you deal with agriculture. Last spring, there was nothing edible on this field. This fall there are bushels and bushels of corn (or wheat or even calves) that did not previously exist. With the farmer/owner's assistance, something has been seemingly created out of (almost) nothing.

Whatever the explanation, I suspect that the effect of a "created" profit may be similar to the effect of dollars imported into a community by tourists. Both the created profit and the tourist dollars are

"new money" injected into the local economy and, as such, tend to invoke the "multiplier effect". Thus, the local economy might be equally blessed by both tourist dollars or created profits.

For example, if a Florida manufacturer creates a product with a $100 profit and sells that product in Wisconsin, the multiplier effect suggests that Wisconsin will still lose the 5X multiplied effect on that $100 profit and Florida will gain a 5X multiplied effect. In effect, Florida can make gains comparable to those of tourist dollars.

That may explain the alchemy of profits. They aren't created out of nothing. But they are created out of intangible intellect. Thus, it seems remotely possible that profits may be the tangible expression of the intangible, intellectual/ creative process.

Educate the brutes

If "profit" describes the value of intellectual effort, then you can see the importance of an advanced education. The average person is simply more likely to conceive of a new idea for a profitable product or service if they have a good education than if they're illiterate. Of course, there are exceptions, but the probability of creation, profits and multiplied benefit to the local economy should be directly proportional to the community's average level of education. Those nations with the highest educational standards for its children should flourish with the most creativity and multiplied profits. Those nations or communities with the lowest educational levels should tend to flounder in poverty.

A fine-tuned economy

If the multiplier effect applies to taxation, even a small tax cut (or increase) might have an unexpected and "multiplied" effect on our economy. I.e., could a 1% sales tax increase cause a 5% "multiplied effect" on you and your local economy? It seems possible.

For example, the multiplier effect might explain the remarkable economic boom that was triggered in the 1960s by John F. Kennedy's tax cut. Paradoxically, when JFK cut taxes, the economy grew so much that the government actually collected *more* tax revenue at a *reduced* tax rate than it would've collected at the higher tax rate. To this day, politicians seem almost embarrassed to discuss the surprising effect of JFK's tax cut. Instead, that effect is ignored as an inexplicable "aberration". But was it an aberration—or simply evidence of the multiplier effect in action?

More importantly, if every seemingly insignificant tax increase or reduction had a "multiplied effect," it would be possible for government to openly manipulate and control the economy without the public ever catching on. For example, suppose Congress votes to raise our taxes just 2%—who really cares? Big deal, right? But suppose the public understood that every 2% tax increase might cause a "multiplied" 10% reduction in local economic activity?

Thus, if the multiplier effect applies to taxes, government could openly control the entire economy (or specific industries) with seemingly small and inconsequential tax rate hikes or reductions. If so,

we may already be well on our way to living in Aldous Huxley's "Brave New World".

All of this may sound too fantastic to be believed, but remember economist John Maynard Keynes comment in 1920 "Economic Consequences of Peace"?

> "There's no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which only one man in a million can diagnose."

The one-in-a-million estimate sounds like hyperbole, but I believe Keynes was approximately correct. If that estimate is roughly valid, what about Keynes reference to "*hidden forces* of economic law"? Could it be that Keynes wasn't simply dressing up his prose to make it more interesting? Are such "hidden forces" at work. Could the multiplier effect be one of those "hidden forces"?

Multiplied deflation

Suppose we analyzed deflation and inflation in light of the multiplier effect. Inflation is generally described as the phenomenon where "too much money chases too few goods" and as a result, the value of our currency decreases. I.e., when there's a 10% inflation rate, the same microwave oven that sold for $100 last year, costs $110 today.

Deflation is the opposite phenomenon. Under deflation, the apparent value of money increases relative to products because there's too little money chasing too many goods. During deflation, the price of goods goes down. For example, during a period of 10% deflation, the microwave oven that sold for $100 last year, costs just $90 today.

At first glance, the average person (who'd naturally prefer to pay less rather than more) will suppose that inflation is bad and deflation is good.

A more pragmatic person might wonder what difference inflation or deflation makes if all prices and wages rise (or fall) equally? In other words, if I made $500 a week last year and inflation caused the price of products to increase by 10%, what difference does it make so long as inflation also caused my income to also go up 10%? If microwaves go from $100 to $110, I'm not hurt so long as my weekly wages also rose from $500 to $550. A similar analysis might be applied to deflation.

But in fact, history shows that while inflation can be irritating, troublesome, and destabilizing, deflation is always dangerous and often lethal to a nation's economy and standard of living. Economic depressions are always accompanied by (and possibly caused by) deflation.

Conventional wisdom holds that the "psychological" aspects of inflation and deflation explain their relative effects. During inflation (when people know their dollars will be worth less next year), we

naturally tend to buy now—when our dollars have maximum value—rather than save our money and try to buy later when the value of the money may be less. Thus, inflation stimulates the economy by motivating (even "forcing") consumers to buy now rather than save and buy later. As a result, during periods of inflation, business activity can continue strong. Inflation can be confusing, but industries can keep manufacturing products and workers can keep their jobs.

Deflation has the opposite effect. When consumers realize their money will be worth relatively more next year than it is today, they tend to save their money to be spent when it has maximum value rather than spend it quickly when it's value is relatively low. However, in a consumer-based economy, any widespread reluctance to buy can be damning. Thus, if deflation causes enough people to postpone buying a new car for just a few months, the resultant sales slump will cause auto manufacturers and dealers to 1) lay off some of their employees and 2) lower their prices to try to attract some business. But as prices fall, consumers may wait even longer to buy, hoping to get an even better deal next month or next year. And as consumer delay, more workers are laid off, we have fewer individuals with enough money to act as consumers in the economy, unemployment fears rise and everyone can become suddenly hesitant to buy anything other than absolute essentials. Next, more businesses go broke, more jobs are lost, prices fall further, consumer confidence withers and the economy may suffer a melt-down.

But in addition to the psychological effects of inflation there are also certain economic consequences. For example, thanks to inflation, your business is almost sure to show a profit. If you're an appliance dealer, you might purchase microwave ovens at the wholesale price of $60 each in January and plan to sell them for $100. The $40 dollar net will be enough to pay your help, your overheald and yourself. But even if you don't sell the microwave right away and other overhead costs rise to eat into your $40 net, if you finally sell it next December for the "inflated" price of $110 (instead of $100), you've made an additional $10 "profit". Although that "profit" is somewhat illusory, so long as we seem to "profit," we can continue to work. Further, if the multiplier effect applies, that "inflated" $10 profit might arguably have the economic effect of another $50 in the community.

On the other hand, if a retailer buys a microwave during a deflationary period for $60 and intends to sell it for $100, but deflation ultimately causes him to sell for $90—$10 of his previously anticipated profits simply "disappears".

If we applied a negative "multiplier effect" to our understanding of deflation, you can see why deflation could be quickly ruinous. For example, Imagine that microwave oven that you bought for $60 and intended to sell for $100. You expected to make a $40 net which would cover your labor, overhead, and profit. But if deflation reduced the selling price of the microwave to $90, the resultant $10 loss would almost certainly come out of your profits rather than labor or overhead. In fact, there's a good chance that the 10% deflation would vaporize your profit margin.

If, as previously hypothesized, "created" profits are the "multiplied" lifeblood of a community's economy—by wiping out profits, deflation quickly saps the economy's life. (Here, the effect of deflation would be almost identical to that of a distant corporation buying all the local farms and sucking the profits of agriculture out of a local, rural community.) The $10 loss in microwave profits attributed to deflation doesn't seem like much. However, if "multiplied," that loss could translate into an "invisible" $50 loss to the local economy. Instead of the "multiplied" gain that might be associated with profits, we might instead suffer a "multiplied" loss based on lost (deflated) profits.

Result? If "multiplied," even a relatively small rate of deflation could quickly, mysteriously and "invisibly" collapse an economy. I.e., a mere 2% deflation rate might be "multiplied" into an invisible 10% loss of the nation's profits.

This may explain why modern Keynesian economists regard a "little" inflation as desirable. Inflation not only "guarantees" apparent profits, it shields us from the ruinous effects of "multiplied" deflation.

Marx was (almost) right

Karl Marx understood the necessity for common people to "own the means of production," but I doubt that he understood the "multiplier effect". As a result, Marx missed the importance of *local* ownership. If the owner of a local, profit-generating business lives close by, he'll spend his profits close by, too, and the entire local economy will be enriched.

The importance of local ownership helps explain why all "centralized" governments tend to fail. By removing "created" profits (in the form of business or withholding taxes) from local communities and sending them to distant seats of government, communities become increasingly impoverished, resistant to authority and prone to chaos or revolution.

The Communist solution was to let government in Moscow own everything "in the name of the proletariet" rather than the Czar (who owned all in the name of a "divine right"). But this apparent change in ownership missed the fundamental point: the *kind* of owner is not as important as the owner's (or sovereign's) *location*. Whether you have a king or a commisar is irrelevant. The question is: Does the owner live in your town? Distant owners remove profits from the locale of their creation and thereby impoverish their local producers.

Thus, the multiplier effect suggests that *local* government and *local* taxes serve the people best—not because they're more efficient, but because they keep locally-created profits and their positive "multiplied effects" close to home. Because the entire local community receives the "multiplied" benefits of the profits of their local owners, the entire community tends to be more enthusiastic, positive and optimistic about their life and their work. Communities dominated by local owners can intuitively "sense" the relationship between their hard work and their growing prosperity and, for them, life is good.

Conversely, "national" government and "national" taxes may be inescapably detrimental since they tend to impoverish most of the country to enrich a single, distant capitol. If so, it follows that a United Nations world tax (which is being considered) and a single "international government" would be even more debilitating for the world's local communities. "Join the New World Order and see the world [go broke]," hmm?

It makes little difference whether the "owner" of our productive resources is a Czar, a dictatorship of the proletariate or a multinational corporation. If the owner is not "local," the profits created by local enterprise will be drained from the local community to enrich the distant owner. Given the "invisible" multiplier effect, that loss of local profits guarantees a "mysterious" local slide toward poverty, cynicism, and despair.

This notion is implicitly supported by studies which indicate the average worker in Austin, Texas (the state capitol) are paid about 20% more than workers in other Texas communities. Austin doesn't manufacture any products to justify that 20% "bonus" and it certainly has no obvious attributes to make it more prosperous than Dallas or Houston. However, as the state capitol, Austin is the central collection point of state taxes collected from across Texas. As such, Austin should enjoy the same multiplied effect of "new money" coming into the local economy as would Chicago if it hosted the National Fireman's Association Convention or Orlando when the tourists flock to DisneyWorld.

The premium paid for wages in Austin is reportedly also common in other state capitols. This doesn't the multiplier effect is in operation, but it is consistent with that probability.

Honor your local owners

The multiplier effect explains why every local business *owner* (not a mere manager or even stock holder) is a true community benefactor who deserves much respect. Likewise, the multiplier effect can also explain why collectivist systems like communism tend to fail. By denying the institution of private property, there can be no local business owners. Without any local owners, there are no local profits to be "multiplied" into the local "common wealth". The multiplier effect might therefore help explain why collectivists societies tend to poverty, chaos and collapse.

Of course, there is an "owner" in every collectivist society: the state; it owns everything. Therefore, there are profits. However, since the "owner" lives in the national capitol, all the profits are sucked out of most local economies and sent to the national capitol. Result? The majority of the nation outside the capitol remains mired in inescapable poverty.

Private property may be more than a right. It may be an economic necessity since it allows for *local* ownership of property. So long as the owner lives in the local community, the profits and the multiplied effects of those profits tend to be enjoyed locally. The community understands (if only intuitively) that if they all work hard, they all seem to prosper. This year is generally better than last year.

On the other hand, in collectivist, colonized or "corporatized" communities, the people likewise understand (if only intuitively) that no matter how hard they work, they will never prosper. This year is not better than last year, and no matter how hard you work, next year will almost certainly be even worse.

I suspect that mentality was common among the workers of the former Soviet Union who routinely joked: "The government pretends to pay us; we pretend to work." But why work if you can't prosper? Why expend real effort when pretense or criminal activity will accomplish just as much or more? The result of this attitude was a declining standard of living and the sudden collapse of what had previously masqueraded as a "super-power". But if the multiplier effect works, there can be no super-powers without private property and local ownership of farms, businesses and other "profit centers".

In my estimation, the multiplier effect may have given the former Soviet Union a "doubt hit".

First, by taking the profits from the local communities and concentrating them in Moscow, the multiplier effect guaranteed that most people outside of Moscow would live in poverty.

But second, because the Soviet Union was engaged in the struggle to establish "world communism," much of the profits hoarded in Moscow were sent overseas as "foreign aid" to support struggling (or opportunistic) communist nations. But unlike conventional imports (where you at least receive something tangible in return for your money), the USSR often didn't get anything tangible in return for their foreign aid (exported profits). Thus, the people of the Soviet Union were not only impoverished to enrich Moscow, Moscow was impoverished to enrich foreign nations. And the multiplier effect should have guaranteed that the lunacy of central government plus almost unlimited foreign aid would deflate, cripple, collapse and ultimately destroy the former "super-power".

Like the rest of the anecdotes in this article, the collapse of the Soviet Union doesn't prove the validity of my interpretation of the multiplier effect. Nevertheless, the USSR's collapse offers no obvious contradiction to the multiplier hypothesis. Moreover, the USSR's collapse—primarily based on a profit-disseminating determination to extend a godless philsophy to cover the earth—might be instructive for a New World Order bound to extend another godless philsophy (democracy) to cover the earth. Will the multiplier effect guarantee the same result for the New World Order (and those wealthy nations dumb enough to fund it) as was given to the former USSR—collapse and disintegration? We shall see.

Local ownership v. free trade

If profits are the lifeblood of a local community, you can see why the free market that allows private property will generate a more prosperity than a controlled society. The free market necessarily encourages creativity, profits and their multiplied benefits at the local level. The controlled economy necessarily frustrates creatively, steals local profits and thereby tends to impoverish the community.

In as sense, local, decentralized government and private property are two sides of the same coin. You can't have one without the other. Whether they knew it or not, by effectively mandating both private ownership of property and local government in our Declaration of Independence and State and Federal constitutions, the Founders created a society that functioned in accord with the "multiplier effect" and thereby made American prosperity not only possible but virtually inevitable.

LIkewise, whether they know it or not, our modern politicians push for more, bigger national (and even world) government will guarantee that we slide deeper into debt, deflation and poverty.

Free trade may not lead to freedom

There's historical evidence to support the importance of location relative to profit accumulation. America's rise from an 18th century agrarian society to the 20th century's dominant economic power was based largely on 19th century tariffs (taxes on foreign imports). It's common knowledge that throughout the 19th century, high tariffs protected America's growing industries from foreign competition. But when evaluated in light of the "multiplier effect," perhaps the reason tariffs worked was not simply because they limited foreign competition, but because they effectively retained American profits within America rather than "exporting" those profits (and their "multiplied" blessings) overseas as orders for foreign goods.

In today's New World Order era of NAFTA, WTO and international "Free Trade," tariffs are dismissed as archaic and detrimental. But there's recent evidence that tariffs protect and enrich modern economies. I.e., in just forty years after its WWII defeat and devastation, Japan became the world's second largest economy. That extraordinary rise to economic power was based on high tariffs and import restrictions that were justified as mere protectionism for Japanese industries. But these tariffs not only prevented imports from entering Japan, they also prevented Japanese *profits* from leaving Japan. Japan's remarkable economic recovery is consistent with the hypothesis that high tariffs keep the benefits of the multiplier effect within the local economy by keeping profits within the community or nation where they were created.

To illustrate, suppose Japan considered importing $100 billion in foreign goods. Ultimately, the only way Japan could get the money to pay for the imports was from profits created by various Japanese businesses. If Japan allows the imports, their *loss* of $100 billion in local profits might be "multiplied" 5X to become a $500 billion loss in potential local economic activity. That's a lot.

On the other hand, if Japan prohibitted the $100 billion in imports, their 5X "multiplied" *gain* might be $500 billion in local economic activity. That's also a lot.

But note that the difference between the choice to allow or prohibit the $100 billion in imports might be $1 <u>t</u>rillion. I.e., if they allow the $100 billion in imports, they figuratively lose a "multiplied" $500 billion in local economic activity. But if they prohibit the $100 billion

in imports, they figuratively gain $500 billion in "multiplied" local economic activity. The difference between a $500 billion loss and a $500 billion gain is $1 trillion. This "invisible" trillion-dollar difference seems astonishing since it stems from a seemingly trivial decision to allow (or prohibit) a mere $100 billion in imports.

This hypothetical example illustrates the potentially huge but "invisible" consequence of a seemingly simple economic decision. On the books, the decision is to send (or not to send) $100 billion in local profits out of Japan to pay for imports. But depending on which choice is made, Japan might enjoy an "invisible" $500 billion gain or an "invisible" $500 billion loss. In a sense, a trillion dollars in local economic activity may depend on Japan's choice. And because that trillion dollar swing is "multiplied," it will be virtually "invisible" to any modern accounting procedure. And yet the impact of Japan's economy will be considerable.

Sounds nuts, doesn't it?

But how do you explain Japan's miraculous high-tariff, post-WWII economic growth? In a political climate that ridicules tarrifs and advocates "global free trade," Japan's high-tariff growth should have been impossible. The fact that Japan did prosper implies there may be other hidden economic forces at work which are largely unrecognized. The multiplier effect may be one of those "hidden forces".

Obviously, all of these examples are hypothetical and overly simplistic. Still, even if the 5X magnitude of the "magnifier" is incorrect, you can see that any multiplier effect (2X, 4X or 10X) raises intriguing questions about the value of international "Free Trade". If the multiplier effect applies equally to gains and losses, exporting nations (as the U.S. was from 1941 into the 1960s) might enjoy an incredible "multiplied" economic growth and prosperity (which is exactly what happened). Conversely, importing nations with a large balance of payments deficit (as the U.S. is today) might suffer a similar "multiplied" decline.

Philosophers stone(d) . . ?

All of the previous conjecture flows from the possibility that the multiplier effect (known to be "positive" relative to money *entering* a community) might also "negative" regarding money *removed* from a local economy.

Logically, it makes sense. If I take money from Cleveland and deposit it in Miami, the one city's loss must equal the other city's gain. If the multiplier effect magnifies Miami's gain, why wouldn't it also magnify Cleveland's loss?

These "multiplied effects" seem more like alchemy than economics. But—if real—they imply that the "science" of economics functions (as Keynes warned) according to "hidden forces" that are virtually unknown to the public and contrary to conventional wisdom . . . .

Of course, all this seems impossible.

And yet, Dallas fights Chicago to host the Fireman's Annual Convention . . . San Francisco fights New York for the next AMA convention . . . and staunchly religious folks in Utah bribe an Olympic com-

mittee to insure that Salt Lake City hosts the next Olympics. All of this fierce competition takes place to exploit the "multiplier effect" on new money injected into local economies.

America's economic miracle was based on decentralized government, private property and high tariffs. JFK's tax cut seemed to have a "multiplied" effect. Japan's rise to economic superpower was built on high tariffs and retention of profits. Every one of these events is consistent with the multiplier effect.

There's no doubt that the multiplier effect is real relative to financial gains. Logically, it follows that it should be equally real relative to financial losses. If so, the implications are substantial, consistent with John Maynard Keynes warning about "hidden forces," and support the idea that modern economics may have more in common with sorcery than science.

Savings are the Root of all Evil?

by Alfred Adask

Admittedly, the whole idea of a "multiplier effect" (discussed in the previous two article) sounds a little nuts. If it weren't for the fact that cities recognize the multiplier effect and therefore compete with each other for tourist dollars, I'd dismiss the whole concept as silly.

However, since economists seem to agree that the multiplier effect is real, I'm curious to discover why it works. As usual, I have only a hunch to follow, but it's an interesting hunch.

I suspect that the "multiplier effect" may be an indirect recognition that profits are several times more valuable to a community than mere "existing" wealth. In other words, $1 in profits may be worth $3 to $7 in savings or investments.

How is it possible that $1 could be equal to $3 or $7? Mathematically, it makes no sense. The idea violates Greek philosopher Aristotle's principle that "A = A". In other words, one must equal one, but one can't ever equal four or five or ten, right?

Not necessarily. Maybe Aristotle's philosophy was shortsighted or at least unsuited for application to a "science" as strange as economics.

I suspect the difference between profits and "existing" (saved) money is not in the money itself, but in the economic behavior of "creators" as opposed to "savers". The multiplier effect may be based on the difference between *how* the two "kinds" of money are used.

In other words, $1 in profits might generate as much economic activity as $5 in savings because profits are *spent differently* than earnings, wages and savings.

For centuries, people's survival has always been, at best, ten tative. The threat of robbery, government confiscation, famine, disease and violence frightened most people into secretly hoarding every dime they could find. Thus, most "existing" money (gold, silver coins etc.) was not spent but saved and fearfully hidden against the inevitable "rainy day". In a world where most transactions were by barter of products one made or grew, money was the only "bank" available to the average man. Unlike a farmer's crops (which could fail to grow because of the weather) or cattle (which could die from disease or predators), money could sit safely in a jar in the ground. It would not perish and was the only "storehouse of value" available to most people.

Those who could not create more money (profits) would feel especially insecure and be doubly inclined to secrete their money in the ground, their mattresses, or even the King's treasury.

But insofar as this "existing" wealth (money) was saved, hoarded and hidden, it couldn't serve society as a *medium of exchange*. Instead, it was a medium of savings. Once a gold coin was saved out of circulation, it could not stimulate further economic activity and the creation of even more wealth (profits).

If the multiplier effect was operational centuries ago, every gold coin squirreled away in a mattress or monarch's treasury had to impoverish the local community by the equivalent loss of three to seven coins in *economic activity*. Thus, money "lost" to society through individual savings may have contributed to deflation, economic depression and—remotely—even the Dark Ages.

Nouveau riche

However, people with profits might be defined as people who have "created" wealth and therefore have *more* money today than they had yesterday, and *more* than they formerly needed to survive. These are the "nouveau riche"—folks who have more money than they need or know how to handle. And so, unlike "old money" (which is typically hoarded and deflationary) the people who "create" profits tend to spend their "new money" freely.

The "nouveau riche" spend like sailors in a foreign port. They buy gifts, booze, fast cars, and faster women. They buy all these unnecessary commodities to show off and gratify their egos. They also spend because they're filled with pride and joy over their act of creating profits. And they spend because they are incurably optimistic since they believe that having created profits once, they can create profits again and again—and their future is therefore guaranteed glorious and secure. They enjoy the highest form of consumer confidence—"creator" confidence.

For example, when a man creates his first $100,000 in profits, he has more money than he has previously needed to survive. Rather than save all of his newly created wealth, he almost always spends a substantial portion.

If he buys a house, the real estate agent, unexpectedly enriched by the influx of profits into the community, also feel suddenly wealthy

and goes out to buy a new car. The car dealer, selling more cars than usual, may purchase a 24" TV. The TV dealer, unexpectedly enriched with a an extra $200 in profits will impress his girl friend with an expensive dinner. And their waiter, enriched by the unexpected $20 tip, will buy that CD he's been wanting.

And so it goes—until the money reaches someone fearful, someone pessimistic, someone prudent who prefers to save rather than spend. Then, when the money is pulled out of circulation, no further economic activity or profits are possible, and the spending cycle ends.

If this scenario reflects reality, a community's standard of living is less a function of total physical monetary wealth than the *rate* of economic activity—the "speed" of money. For example, the standard of living in a community that has a total of $1 million in cash, zipping from hand to hand, making more profits—is far greater than the standard of living in another community that's otherwise identical except that the $1 million is hoarded in a strongbox buried in a dungeon by a single rich man. The first community could be prosperous while the second (including the rich man) might be economically depressed and almost lifeless.

The root of all evil?

If the idea that savings may be a disability seems new and unlikely, note that even the Old Testament hints at the adverse effect of savings. For example, The King James version of Proverbs 11:24-26 reads,

> There is that scattereth, and yet increaseth; and there is that withholdeth more than is meet, but it tendeth to poverty. The liberal soul shall be made fat: and he that watereth shall be watered also himself. He that withholdeth corn, the people shall curse him: but blessing shall be upon the head of him that selleth it.

This passage means that there are those who scatter their wealth (spend freely) and yet become prosperous. And there are others who "withholdeth" their wealth (save their corn or money) and therefore tend toward poverty.[1]

And remember the "parable of the talents"? The master gives five talents to one servant, two to another and one to a third. The servant given five used the money to earn five more; the servant given two earned two more; the servant given one buried it in the ground lest it be lost.

Guess who was punished? The servant who buried (saved) his single talent. The master took his single talent and gave it to the servant who already had ten talents. And then (according to *Matthew* 25:30) they threw "that worthless servant [the one who merely saved the master's money] outside, into the darkness, where there will be weeping and gnashing of teeth."

Taken literally, that seems like a pretty stiff penalty for simply saving a little money. After all, that lowly servant didn't steal the

master's money, he merely tried to protect it. Was his master that greedy for gain? Did he love money that much? If so, what would happen if one or more of the servants invested the master's money unwisely and accidentally *lost* the money? Torture? Death? And more, since the Bible describes the "love of money is the root of all evil," why is his unpleasant example of a master's apparent greed presented in the Old Testament as something positive?

Answer: If the multiplier effect were operational Before Christ, stiff penalties for servants who simply saved the master's money might not be so unreasonable. After all, the servant who took five talents and made five more for the master might have unwittingly generated an additional "multiplied" benefit of twenty-five talents in economic activity *for his community*. The servant given two talents who earned two more for his master might've also generated a "multiplied" benefit of ten talents *for his community*.

On the other hand, the servant who extracted his single talent from the local economy and buried it in the ground, might've caused no loss to his master, but would've still caused his community to suffer a "multiplied" (but invisible) five talent *loss*. The community might've been impoverished by five times as much money as was "saved". That's bad for everyone—even the master.

This interpretation suggests the master's real motive in insisting his servants use his money to make more money was not merely to enrich himself, but rather to enrich his community. If so, such masters are not obsessed by the "love of money" and the parable makes good sense.

Of course, I don't seriously believe that savings can be interpreted as the "root of all evil". Certainly, some savings are good or at least necessary. Nevertheless, when savings or, in the extreme, hoarding are motivated by the love of money (rather than a desire to serve to the community), those savings are arguably an expression of that damnable affection. If so, savings can have a negative impact on society.

Send in the (fractional) reserves!

In any case, when savings are removed from an economy, the multiplier effect implies that there may also be a "multiplied" loss in economic activity (true wealth). Even if savings are deposited in a bank and later loaned and invested, the net effect may still be adverse since bank-approved investments tend to be conservative (like government bonds or real estate developments) and "appreciate" slowly rather than accelerate the economy like fast-spent profits.

However, the adverse effects of savings could be neutralized in a banking system that allowed fractional reserve banking.

Under fractional reserve banking, if I deposit $100 in the bank, the bank can use my $100 as collateral to loan out an additional $900 that the bank "created out of thin air". Some fiscal conservatives criticize fractional reserve banking as inflationary or even a scam.

However, if the multiplier effect is at work, a bank's ability to loan "multiples" of whatever dollars are deposited could compensate for

the "multiplied" adverse effect of savings removed from the economy.

I.e., if $100 in profits is saved in a mason jar buried in the back yard and removed from the economy, the economy might be slowed by the "multiplied" loss of $300 to $700 in economic activity. But if that same $100 were deposited in a bank and used to justify loaning another $900 into the local economy, the "multiplied" loss of $300 to $700 (due to the saving deposit) might be offset by the $900 in credit loaned into the community. Thus, fractional reserve banking might compensate for the adverse "multiplied" effect on the local economy caused by savings.

If that possibility seems unlikely, note that the fractional reserve banking rate (about nine imaginary dollars loaned out for every dollar deposited) is roughly equivalent to economists' estimated magnitude (3X to 7X) of the "multiplier effect". Curious coincidence, no?

Consumer confidence

The possibility that fractional reserve banking may be a device to offset an adverse multiplied effect of savings also makes some sense on a psychological level. The modern, consumer-based economy is absolutely dependant on the consumer's "confidence". When we feel confident about our current financial condition and future prospects, we spend—and borrow—freely. That keeps the economy's wheels turning. But if the level of consumer confidence falls for any reason, spending and borrowing slows and the economy can grind to a halt.

Historically, consumer confidence was directly proportional to savings. For example, when I have enough money in the bank to guarantee my financial survival for some time into the future, I'm willing to spend a little of my money on impulse items and even unnecessary or foolish purchases. However, when I'm nearly broke, I become tight as a drum and won't spend one dime that's not absolutely necessary. I suspect most people think and spend about the same.

Unfortunately, if everyone saved their money until they had enough wealth stored up to justify the level of personal "confidence" needed to "shop til they drop"—the multiplied effect of our thrift could ruin the economy. If you and I and all our neighbors save every dime we can—then no one will buy anything except the basic necessities. If we don't buy anything but basic necessities, most of us won't have jobs or make any money. Result? Compulsive savings can reduce "consumer confidence" to about zero.

If the multiplier effect applies to whatever meager savings we fearfully accumulate, the savings themselves will actually plunge our community deeper into poverty. Each dollar we save might cause a negative impact on our economy equivalent to the loss of $5. Result? Our thrifty community may remain mired in subsistence-level poverty reminiscent of old Scotland.

But—if bankers used fractional reserve banking—we could seemingly have our cake and eat it too. In other words, with fractional reserve banking, we enjoy two apparent benefits:

First, the consumer is allowed the psychological "luxury" of saving as much money as he likes to sustain his "consumer confidence".

And, second, the economy is still protected from the adverse, "multiplied effect" of his savings.

Move 'em out, raw-hiiiide!

Sure, our monetary system is primarily the smoke and mirrors of monetary sorcerers—but what else could it be when the entire economy is dependent on a concept as esoteric and unpredictable as "consumer confidence"? John Maynard Keynes estimated that "not one man in a million" understands the nature of money. Given that profound level of ignorance, the people's "confidence" is based primarily on emotion and blind faith.

Collectively, the people are as dumb as cattle when it comes to money, and just as prone to panic and "stampede" for reasons that can be trivial or even irrelevant. Why did everyone jump on the stock market band wagon and keep buying and buying during the late 1990s? Why—because everyone else was doing it. It didn't make sense, but "confidence" was so high, that a "herd instinct" kicked in and the public "stampeded" into buying more stocks.

Before you dismiss "stampeded" as too strong a description, remember Federal Reserve System chairman Greenspan's warnings for six months to a year before the bull market finally slowed and then started to decline. Greenspan picked his words gingerly to avoid stampeding the herd in the opposite (bear market) direction, but he said repeatedly that the buying binge was unreasonable and had gone too far.

Greenspan knew the "bull market" was simply an emotional, virtually mindless "stampede" of human "cattle" who ignored price-to-earning ratios and simply bought because everyone else was buying. As a result, when the stock market finally started confront reality and fall, a lot of ignorant, over-emotional people lost a lot of money.

Government seems to have developed some surprising mechanisms to at least moderate any panic/stampede into a negative consumer confidence. For example, there are "stops" built into the New York Stock Exchange that will only allow the Dow-Jones average to fall so far in one day before trading is suspended. Walter Burien's research (see, Comprehensive Annual Financial Reports, this text) indicates that the government may own so much of the stock market that—through concerted buy or sell orders—the government can make individual stocks, industries or the entire stock market, rise or fall and thus create a false impression of public confidence that the folks in TV-land will accept as reality.

In 2001, our federal government even revised the formula used to calculate the average American's savings rate. Why? Because the old formula that had been used for decades indicated we now have a *negative* rate of savings. In other words, today, the average American's debt is greater than his assets. We're all in the red. However, saying so is politically incorrect since a negative savings rate is contrary to "consumer confidence". Therefore, our government has thoughtfully

revised the calculation formula and "cooked the books" to indicate we now have a 1% positive average savings rate—even though we're really 1% or 2% in the hole. (Thank God for government, hmm? I was alarmed when I heard our savings rate was negative, but now that the calculation formula has been "adjusted," I feel so much more "confident," I just might go out and buy a new car.)

Why are devices to slow stock market declines, cause stock market increases and create an illusion of positive savings in place? To prevent a "bear" stock market that could, in turn, collapse the entire U.S. economy and stampede ignorant Americans into a fear-ridden depression where no one buys anything.

Whether the government's real or imagined devices for controlling the public's perception of economic reality can actually defeat a depression remains to be seen. But on balance, you must give the bankers their due. Despite the fact that we're the biggest debtor nation in the world, our economy has (through 2001) continued to function surprisingly well. Reality seems irrelevant since the "cattle" don't understand that reality anyway. Thus, the foundation of modern economic prosperity is built of mere public perception, belief and emotion.

Our economy is less reflection of truth than hype. And it has to be that way because no one can explain the truth to people who don't understand the nature of money.

Hence the smoke and mirrors of fractional reserve banking, interest rate adjustments and (perhaps) the multiplier effect. Our national cowboys Alan Greenspan and George W. Bush are simply strumming their guitars and singing the herd to sleep.

Banker benefactors?

I hate to say it, but the "multiplier effect" seems to justify fractional reserve banking as something beneficial—even necessary—rather than a sinister plot to enrich bankers and dominate the world. Without fractional reserve banking, our "civilization" might perish from our own economic prudence (savings).

There is anecdotal evidence that fractional reserve banking might be beneficial. Look at India, an alleged "gold sink" where common people hoard masses of gold to be buried in their back yards or worn by their wives as jewelry. Compare the standard of living where gold is hoarded in India to that of the USA where our savings rate is now *negative*. Although India's hoarding may seem ultimately wiser than our reliance on credit (fractional reserve banking and fictitious money), who would trade America's current standard of living for India's?

The impoverished people of India actually have a higher national savings rate and, on average, more personal assets (gold buried in the back yard) than the average debt-ridden American. But which society is plagued by poverty and which is blessed with (apparent) prosperity?

This apparent contradiction is not easily explained. Are Americans simply living in a bubble economy that's just about ready to

burst and send us back to the common sense exemplified by the simple Indians? Or could it be that the Indian economy does not accommodate the multiplier effect and is thus "self-depressing"? (The more they save, the less they have?)

Conversely, could it be that the American economy does accommodate the multiplier effect and thus prospers despite its considerable (almost unbearable) debt?

Paper money

For fractional reserve banking to compensate for the adverse "multiplied effect" of savings, it would be necessary to remove substantive money (gold and silver coin) from the economy. After all, a fractional reserve bank can't very well loan out nine *real (*physical) silver dollars for every *real* (physical) silver dollar deposited since there's no way for the bank to "create" nine more *real* silver dollars.

Fractional reserve banking could only work in an economy that relied on non-tangible, "imaginary" currency (like paper money or electronic "1's" and "0's" in a computer memory) which (unlike physical gold or silver coins) could be quickly and inexpensively replicated and loaned into circulation.

And what do we have? A society based on an imaginary "money" that can be replicated by simply pushing a couple computer keys. Our gold coins are gone, our silver coins are gone, and our economy (despite all contrary indications) seems to defy conventional economic theory.

Our reliance on an "imaginary" money system doesn't prove my notions on money are correct. However, it's at least interesting that our intangible money system seems consistent with the "multiplier effect".

I hate to say it, but the multiplier effect suggests that Franklin D. Roosevelt's "New Deal" (especially the removal of gold from the economy) might've made some sense. (Good lord, where will all this conjecture end? Voting Democratic?!)

A cross of gold?

Although an "additive" money system like gold or silver coin is a fine medium of exchange, it is singularly unfit to deal with those who "love money" so much that they hoard or save it in a bank. Once a gold coin is saved from circulation the entire economy may be impoverished by the even greater "multiplied loss" equivalent of *five* gold coins. In other words, gold is great, so long as it keeps changing hands. However, when people start fondling those coins and saving them, gold becomes a drag on the economy.

However, a "multipliable" money system—like paper or digital cash —could potentially give us the best of both worlds. If you want to spend your money and keep the economy humming, great. On the other hand, if you'd rather save your money, that's OK, too—so long as you save it in a bank.

I.e., hoarding your paper money in your mattress is an antisocial drag on the economy if the money removed from the economy

causes a 5X multiplied decline. However, so long as your savings are kept in a bank that's empowered to engage in fractional reserve banking, the negative effect of your savings can be offset by loaning a "multiplied sum" of money back into the community.

Again, if you deposit $1,000, you might cause a multiplied" $5,000 loss in economic activity. However, if the bank uses your $1,000 deposit to loan out $9,000, the economy is not only protected from the adverse consequences of your savings, it's *enriched*. Voila! Thanks to fractional reserve banking, savings is no longer a drag on the economy, no longer an expression of pessimism sure to precipitate a depression.

Don't save no wooden nickels

I'm not about to recommend that everyone give up on gold and silver coins. I still believe there's an ancient wisdom in owning (and saving) that form of money. (In any case, as explained elsewhere in this text, the real value of those coins is not their gold or silver content, but the fact that they can convey legal title to property.)

While I am adamantly opposed to any debt-based money system, I've got to admit that if the multiplier effect is real, the current fractional reserve banking system makes sense. And you can see seductive evidence of that "sense" all around you.

Who prospers in this world? The people who diligently save their money in bank accounts and never borrow? Or the folks with high credit ratings who are so deep into the bank's pockets the system can't afford to let them go broke?

I know this debt-based system of fictional money can't last. I know it even seems ungodly, sinister and unjust.

But I have to admit that those people who accept this system, live their lives according to its principles and borrow more money than they can hope to repay, seem to have newer cars, bigger homes and more attractive spouses than the folks who play by the "conservative" rules of economics.

The average American who hoards gold coins lives in modest or even humble circumstances. Does he take vacations to Hawaii or Paris? Probably not. Those little treats seem primarily reserved for folks with several credit cards and enough debt to make 'em highly stressed and dependent on blood pressure medication.

If the multiplier effect is valid, the people who "conservatively" save their money and remove it from circulation may be more like the servant who buried his one talent rather than risk using it to make more money.

On the other hand, the folks who in debt up to their ears seem to somehow fuel our "impossible" economy and, in an irrational sense, thereby serve the community. But if the multiplier effect is operative, debt may not be as irrational and risky as some suppose. Strangely, it may even make some sense.

For example, when debt levels are highest (people are borrowing the most credit), we can assume that on an emotional level, "the natives are confident". Large debt correlates directly to high con-

sumer confidence. When folks loose confidence, they stop borrowing and the debt level begins to shrink. In our crazed, debt-based money system, debt has become "wealth" (at least equitable wealth), and the more we owe, the more tangible possessions we seem to have. But when people get scared and stop borrowing, the debt-based economy begins to collapse.

Fool's paradise?

Of course, I don't believe debt makes sense. Instead, I believe the wisdom of the Bible ultimately controls:

> "The rich rule over the poor,
> and the borrower is servant to the lender."
> —Proverbs 22:7

If the Bible is true, then debt makes sense only if you don't mind being a "servant" or, ultimately, a slave. *Proverbs* 22:7 implies a fundamental contradiction in the use of debt-based currency on the one hand and individual freedom on the other. We can't have both.

Insofar as fractional reserve banking is intended to mathematically compensate for the adverse multiplier effect of savings, that's good. But here's the fundamental problem with fractional reserve banking: When $100 is deposited, the bank multiplies that deposit and *loans* $900 into circulation.

Yes—by releasing another $900 into circulation, the bank mathematically compensates for the multiplied loss of $500 in economic activity when $100 is deposited. That's good.

But—because the $900 released is *loaned* into circulation, the loan recipients must therefore be debtors and thus unable to use the borrowed money to secure legal title and legal rights to "their" property. That's bad.

Thus, fractional reserve banking seems to simultaneously help sustain our economy but also diminish our unalienable Right to own private property. Insofar as that unalienable Right flows from God ("We hold these truths to be self-evident, that all men are created equal, that they are endowed by their *Creator* with certain unalienable Rights . . . ."), fractional reserve banking helps encourages us to turn our back on God's blessings (unalienable Rights) to accept mere equitable title to material property rather than legal title and legal rights. We're trading our birth rights for a bowl of equitable pottage.

If the Bible is true, that rejection of God's blessings is an implicit insult to God himself and unlikely to go unnoticed. Sooner or later, the debt-based banking system should incur God's ire.

Half-baked ideas

But God's distaste for debt doesn't necessarily mean that fractional reserve banking is inherently bad. Debt is bad, and therefore loans are dangerous. But what if there were a way for fractional reserve banking to inject the $900 into the economy without loaning them? In other words, if I deposit $100 in the bank and cause a

"multiplied" $500 loss to the local economy, is there a way that the bank could still release $900 into the economy without loaning the money?

If there were no loan, there'd be no debtor, no servant, no slave. If there were no loan, the persons receiving the $900 might receive more than mere equitable title to the currency and might therefore use that money to actually "buy" *legal* title to property and retain his unalienable Right to private property and standing at law.

If a formula could be devised and implemented where the fractional reserve $900 might be distributed back into the economy without making a loan, the "multiplied" disabilities of savings might be voided without subjecting everyone to the biblically intolerable status of debtor.

Clearly, the banks won't cheer for a system which deprives them of their power and profits. Government also wouldn't go along with such program quietly. Even the public would reject the idea since "donating" the extra $900 to the American people without loaning it seems almost impossible without converting us into a nation freeloaders. We can't just "give" the money to people and hope to maintain any sort of work ethic.

But what if every time someone deposited $100 in the bank, instead of loaning $900 to other consumers, the banks instead used that money to fund government . . . ?

What if—instead of burdening the people with income tax and sales tax and tire tax and luxury tax—the banks simply gave the government whatever extra money was generated by fractional reserve banking? Then the government could use those fractional reserve dollars to pay its employees, purchase materials, and perhaps even repay the national debt. The fractional reserve dollars could thereby be "injected" into the economy without *loaning* them to the public. The economy would be stimulated, the public would not be trapped in endless debt, and we could even eliminate our tax burden.

We'd have to tinker with the numbers to make sure that we didn't give gov-co so much money that it purchased the world. But conservative estimates indicate that the average person currently pays about 55% of his gross income in the form of income, sales and hidden taxes to their local, state and national governments. But if we only saved about 6% of our gross income, deposited it in a bank, and let the bank use fractional reserve math to send about nine times that much money to the various levels of government, there'd be no further need for government taxation.

In overly simplistic terms, 6% times the 9X fractional reserve rate works out to 54% of our gross income. Just about the same percentage as our current tax burden. In theory, by saving just 6% of our income into a bank, we might eliminate the 55% tax burden we currently pay and still at least double our standard of living.

Think about it. Instead of sending 55% of your income to government as taxes and keeping just 45% for yourself, you could save 6% of your gross income (for your old age, perhaps) and spend the other 93% on yourself and your family, right now. You'd get 100% of the eco-

nomic benefit of every dollar you earned. You could spend 93% now and save 7% for the future and never pay a dime in taxes. And government would have just as much money to spend as it does right now.

It's a mad, mad, mad, mad monetary world

Does the theory of using savings to support government and eliminate taxes sound crazy? Of course it does.

But if you didn't know about fractional reserve banking, how crazy would that sound? Isn't the idea that banks can loan nine imaginary dollars for every "real" dollar that's deposited sound just a little "crazy"—especially when you consider that even the "real" dollars deposited are also imaginary?

> "[I]t probably is not necessary for the federal government to tax anyone directly; it could simply print the money it needs. However, that would be too bold a stroke, for it would then be obvious to all what kind of counterfeiting operation the government is running. The present system combining taxation and inflation is akin to watering the milk, too much water and the people catch on.
>
> **Ron Paul**
> **5-term member of the U.S. Congress**

What about the "multiplier effect"? Economists say it's real, but doesn't it also seem "crazy" that tourists can bring $100 to Disneyworld and Orlando will get an economic boost equivalent to $500?

And how 'bout a *debt-based* monetary system? If that's not crazy, what is? How can we possibly "pay" for our purchases with debt instruments? How can we pay our debts with more debts?

The truth is that our current monetary system is a kind of madness. At bottom, there is less obvious reality in that system than blind faith, false confidence and economic sorcery.

In a monetary system as "crazy" as ours, why should any idea—including using fractional reserve banking to pay all taxes—be automatically dismissed as crazy? In truth, our money system is a kind of sorcery and it's not at all clear what sorts of spells are too bizarre for it to cast.

Givin' th' devil his due

I don't like the conclusions I'm reaching in this article. But one truth seems inescapable: Despite decades of operating this country's financial system contrary to all historically established economic principles, we have managed to sustain an apparently enviable level of prosperity. Yes, the standard of living for common people is declining. Yes, the gap between rich and poor is growing. Yes, the middle-class is disappearing. And there are a host of other economic problems that are individually scary and collectively terrifying.

Yes, yes, I understand that our debt-based monetary system may soon crash and we may experience massive social dislocation, a depression, political revolution and even New World Order fascism.

But how has this economy not only survived but prospered with virtually no lawful money (gold and silver coins) since 1933? More, how have we simultaneously become both the world's only "super-

power" and the world's biggest debtor nation? We are either extraordinarily lucky, or (as economist Keynes warned) there are "hidden forces" at work which we do not understand and power to manipulate these forces has been so consolidated that a handful of individuals can manage our national economy (and perhaps the world) without our even knowing.

In my gut, I believe our debt-based monetary system is wrong, even ungodly. But in my mind, I have to admit that (for now, at least) it's working. Moreover, it seems to be doing the impossible.

The mystery of how our debt-based economy continues to seemingly flourish might be partly explained If the multiplier effect is valid.

Of course, if the multiplier effect were real, why has government operated according to that principle but kept that secret from us and paid lip-service to the contrary "virtues" of savings? Perhaps because if the public actually understood that in the current system—where debt seems more valuable than assets—our work ethic would disappear and the economy might collapse.

If the great unwashed understood that this country couldn't survive without debt, every lazy so-and-so would demand a "platinum card" so they could go buy a new 24" TV. Why work, if the secret to prosperity is debt?

Nope. The public is not ready for that news. This debt-based system of fictional money ultimately depends on a colossal lie and seamless deception to survive. However, that dependence on deception (and therefore secrecy) may be the system's Achilles' Heel.

What'll happen if the public begins to understand the nature of money?

Credit-masters of the universe?

While I might be scared of a "random" economic depression triggered by too much debt—that kind of "conventional" collapse can at least be understood. I could study economics and find real confidence in my understanding of all those graphs and formulas. I could have some confidence in my ability to predict how the economy will function in the future.

But if the multiplier effect is real, it implies that there may not be a depression until "they" (those who control the credit spigot) decide to have one. The "hidden force" of the multiplier effect raises the possibility that the entire economy may be so effectively managed and controlled that study of conventional economics is virtually meaningless and even professors of economics don't really understand how the system works. It doesn't matter what the savings or employment rates are. There won't be another depression (at least not one caused by strictly domestic forces) until "they" (whoever really understands and controls the system) decide to have one.

And until we understand who "they" are, we certainly can't understand their motives, and thus can't reliably predict our own economic futures. All we can do is "go along" and hope that we're not being raised like so many domestic cows to be milked today and later butchered whenever the bankers want.

Frankly, I'm more concerned by the prospect of a world managed by unknown people employing "hidden forces" to achieve unknown goals than I am by a world where principles that can make an economy rise or fall may be random but are nevertheless known to all.

Unknown people with unknown motives *might* be working for our collective (but deceived) benefit. But—depending on their motives and whatever god (if any) they serve—they could just as easily be setting us up for a fall of biblical proportions.

Perhaps I'm naturally pessimistic or senior-citizen cynical, but I don't trust other people—especially people I don't even know—to manage my life. That's probably the essence of my complaint with government in general.

But to have unknown people managing the economy (and thus, my life) according to "hidden forces" and unknown principles (like the multiplier effect)—*that* scares me because it compels me to live under a set of rules and rulers that I neither know or nor understand.

The "Declaration of Independence" reads in part,

> That to secure these rights, Governments are instituted among Men, deriving their just powers from the *consent* of the governed. [Emph. add.]

Is it possible to "consent" to a government that rules our economy and our lives according to "hidden forces" and principles that are not merely hard to understand, but intentionally concealed from us? Without that fully, knowing "consent," how can we be sure that a government employing "hidden forces" is "securing" our unalienable Rights and exercising only "just powers"?

If living as a subject of "hidden forces" isn't enough to spawn paranoia and revolution—or a powerful faith in God—I don't know what is.

Is the multiplier effect real?

Economists say Yes.

Does it have a negative effect as well as a positive effect?

I say Yes.

If I'm right, your secular world and secular future operates according to principles which virtually no one understands or even imagines. If that possibility doesn't scare you, it sure scares me.

[1]MacArthur Study Bible, 1997. The principle is that generosity, by God's blessing, secures increase, while stinginess leads to poverty instead of expected gain. The one who gives receive far more in return. This principle is echoed in Ps 112:9; Eccl. 11:1; John 12:24, 25; Acts 20:35; 2 Cor 9:6-9.

Redemption or Revolution?

"I believe that banking institutions are more dangerous to our liberties than standing armies. Already they have raised up a money aristocracy that has set the government at defiance."

Thomas Jefferson
at the Constitutional Convention (1787)

"The Central Bank is an institution of the most deadly hostility existing against the principles and form of our Constitution. I am an enemy to all banks, discounting bills or notes for anything but coin. If the American people allow private banks to control the issuance of their currency, first by inflation and then by deflation, the banks and corporations that will grow up around them will deprive the people of all their property until their children willwake up homeless on the continent their fathers conquered."

Thomas Jefferson

Paradise Lost?

by Alfred Adask

Earlier in this book (as part of the article "Credit loans and Void Contracts") I tried to illustrate some of the dangers in a debt-based monetary system with a hypothetical island economy. That illustration deserves reconsideration and expansion:

Imagine you lived on an island paradise with a total population of ten, each of whom owned 10% of the island's land. Your island is so benign that you and your neighbors survive by simply plucking food off the trees on your land.

Along comes a banker and offers to loan you $1,000 to build a grass shack on your land. Sounds good (with a grass shack, you could impress that cute little redhead). Of course, to get the $1,000 loan (and the shack and the girl) you must agree to repay the banker $1,100 a year from now ($1,000 for the loan plus a "mere" $100 in interest)—and you must risk your 10% of the island paradise as collateral for the loan.

You sign, they loan, you build the shack, and the redhead starts flirting. Great.

Except your muscle-bound neighbor also likes the redhead, and also borrows $1,000 from the banker to build his own grass shack. He also agrees to repay $1,100 a year from now ($1,000 principle plus a "mere" $100 interest), and puts up his tenth of the island as collateral. The redhead dumps you and picks up with Mr. Macho.

Soon, all ten islanders (even the cute redhead) have each borrowed $1,000, put their 10% of the land up as collateral, and agreed to repay $1,100 in one year. Collectively, the ten islanders borrowed $10,000 ($1,000 each) and agreed to repay $11,000 (including 10% interest).

When the banker returns a year later and wants his money, guess what? Some islanders can't repay the loan and must therefore forfeit their land to the bank.

Well, bidness is bidness, right? Some folks are lazy. Some unlucky. Some simply lack the personal discipline or smarts to handle credit wisely, right? Or so we suppose.

But it's not that simple.

Verrry interesting

When the banker loaned $1,000 to each of the ten islanders, he placed a total of $10,000 into circulation on your island. That money allowed each islander to buy sticks from one neighbor, thatch from another and labor from a third to build his shack.

> But the banker didn't loan (create) the additional $100 that each islander would need to pay the interest on his loan.

This $100 omission may seem trivial, but given that there were ten islanders, there's $1,000 missing from the island's economy and thus it will be impossible to repay all of the interest when it comes due in one year.

See, collectively, the ten islanders borrowed $10,000 but (including the interest) will owe $11,000 next year. However—because the banker "neglected" to create and provide the islanders with the additional $1,000 needed for interest—there will be only $10,000 total in circulation on the island when the loans come due. That means no matter how hard the islanders work, it's mathematically impossible for all ten of them to repay their loans.

Thus, some islanders were guaranteed to lose their collateral (their share of the island) to the bank from the minute they applied for the loan. The game was rigged from the git-go. The banker's primary objective was never to make a profit by collecting the "interest" on the loans. Instead (consistent with Representative E.R. Ridgely's warning in "Title Wars," earlier in this text), the banker's object was to get legal title to the **land**.

Not every islander will lose his land. Only two or three (for now) will face foreclosure But the consequences of loaning $10,000 and then demanding $11,000 back will place the island community under considerable stress.

For example, as an islander, you'll need to have $1,100 to repay your $1,000 loan, so you'll have to squeeze the extra $100 needed to pay your interest out of one or more of your neighbors. Maybe you just work extra hard and simply earn more money. Maybe you overcharge your neighbors for the sticks you sold them to build their shacks.

But whether you got the extra $100 through hard work or deceit, suppose you got an extra $50 from one neighbor and another $50 from a second. Then, although you'll be able to merrily repay your $1,100 loan and hold onto your shack and collateral, your two neighbors who each gave you an extra $50 could, at best, only pay back $950 on their loans, and would therefore both lose both the shacks they built and their 10% of tangible (real) paradise for being unable to repay their $1,100 in non-tangible (imaginary) credit.

Once they borrowed the money, all ten islanders would face the same stressful choice: either overcharge and exploit your neighbors—or lose your shack (investment) and land (collateral). As a result, once infected with credit, your island paradise might quickly

become more immoral, unethical, and unfriendly. In order to preserve your own tangible collateral, each islander would be forced to hustle his neighbors.

A fatal lack of interest

Bear in mind this entire scenario flows from one simple fact: When the bankers create the "money" to make the loans, they don't also create the *interest* that will be required when the loans come due. This means, inevitably, some people *must* default. No matter how hard they work, they *will* lose their collateral.

In the first year, perhaps only two islanders will lose their land to the bank.

Next year, only eight islanders will still own their land and therefore still have collateral which the bank will accept to "secure" another loan. Suppose these eight each borrow another $1,000 to buy sail boats. Again, the bank will make the loan on condition that they repay the $1,000 plus $100 in interest next year. The eight islanders take the loans, and a year later (because the additional money was not created to repay the interest on the loans) two or three more islanders will lose their boats and land to the bank. So long as people keep using their collateral to justify loans, within a few more years/loans, the bank will own every square inch of the island.

The irony in all this is that, before the bankers arrived, the islanders were living in near paradise. If they wanted to work cooperatively, they had all the sticks, grass, and labor they needed to build their shacks. Instead, they decided to do it the "easy way"—with credit. The bank offered them a something-for-nothing deal, and they took it. They just didn't understand that the "something" was their real land and the "nothing" was the bank's imaginary credit.

Net result: in a relatively short time, the islanders were rendered land-less, homeless and immoral. Simultaneously, the banker (who risked virtually nothing) gained ownership of the entire tangible (real) island paradise based on loans of non-tangible (imaginary) credit.

Larger context

In a larger "island" like the USA, the impossibility of repaying bank loans is much harder to notice. In the frantic commercial dance of millions of people trying to make ends meet, it's hard to see that the system *guarantees* that some people will be bankrupted and driven from their land. However, we're implicitly taught that, after all, the folks who lose their land tend to be old, or illiterate, lazy or foreigners. We can see they were losers and thus their losses were inevitable. Survival of the fittest, right?

Not really.

Our brothers and neighbors are being systematically robbed of their land and wealth by a banking system that's rigged to ultimately condemn the entire world to the status of impoverished debtors. Even if the system only impoverishes the old, the lazy and the incompetent today—I guarantee that your turn (and mine) is coming. Just

as the bankers took all the legal titles to land of the ten islanders, they will take all of the legal titles to land of 300 million Americans. The principle (create "money" for loans but not for interest) is identical in both cases. On the island, the process is easily seen and fairly quick. For a continent, the process is harder to observe, takes a little more time to execute, but is absolutely inevitable—especially in a society that uses only debt-based legal tender.

Bankers, bankers uber alles!

Can the bankers literally try to "own" legal title to a continent? Yes, and more, they are literally trying to own the entire world.

For example, in November, 2001, the *nation* of Argentina was declared bankrupt with $132 billion in foreign debt. Think about it. A whole nation declared bankrupt.

Most people will simply dismiss that event as unimportant. After all, it was only a "South American" nation (and you know how irresponsible *those* people are). But I'll guarantee that they are simply among the first of the "islanders" to lose their piece of paradise. And anyone who thinks the USA can't be declared bankrupt should note that we are already the world's largest debtor nation. The average American is something like $15,000 in debt right now.

Technically, we're already bankrupt. The only reason the USA hasn't been overtly foreclosed is that doing so would destroy the entire international financial system. The USA is in a position analogous to an inefficient and unprofitable corporations that's so big and that the banks can't afford to let it fail (at least not yet). So they keep loaning it money long after it's technically unworthy of any credit whatever.

In November of 2001, Japan's banks, the world's largest with almost $3 trillion in assets, were declared "crippled" by Moody's and Standard & Poor's debt raters. As the national banks go, so goes the nation. If Japan's banks bankrupt, the nation of Japan will soon join Argentina in bankruptcy court. Just a few years ago, Japan was the second largest economy in the world. Today, they're on the edge of bankruptcy. Don't imagine that any nation is immune from bankruptcy

We're from the IMF—we're here to help you.

On November 26, 2001, First Deputy Managing Director Anne Krueger of the International Monetary Fund (essentially, the world's central bank) told the National Economists Club in Washington:

> There remains a gaping hole in the financial system. We lack incentives to help countries with *unsustainable* debts resolve them promptly and in an orderly way. . . There are *too many* countries with *insurmountable* debt problems. . . . With the 1990s' mushrooming bond market, each debt now has *too many* creditors to coordinate, allowing uncooperative "vulture" creditors to create panic. . . . . However, agreed rules for international bankruptcy could to prevent "unnecessarily heavy costs" for the international community. [Emph. add.]

Ms. Krueger doesn't sound too optimistic, does she? I'm particularly amused by her criticism of *other* "vulture" creditors who will cause panic at the same time she seems to be "selling fear".

In fact, the IMF Managing Director implicitly admitted that the debts of its post-1971 floating rate financial casino *can not* be repaid and therefore called for new laws allowing countries with "unsustainable" debts, to seek bankruptcy protection *under the IMF* (why doesn't that surprise me?) to avoid "chaotic default."

First, why are the debts "unsustainable"? Why "insurmountable"?

Because when the debt-based "money" was loaned into circulation on the various island-nations, no one created the interest needed to repay the loans. Thus, as the IMF implicitly admits, it is technically *impossible* to repay all the loans. In a debt-based monetary system, the bankruptcy of all borrowers is absolutely inevitable.

But note that, consistent with the Hegelian principle, the IMF created that impossible economic predicament by loaning credit without providing additional "money" to repay the interest. Now, the IMF will also offer to provide a solution to the problem they created.

Gee, I wonder what that solution will be? How 'bout surrender primary ownership and control of Argentina (and other bankrupt nations) to the IMF (aka, New World Order)?

You may not remember the lessons of Proverbs 22:7, but I guarantee the IMF knows them by heart:

> "The rich rule over the poor,
> and the borrower is servant to the lender."

James Strong's Greek/Hebrew Dictionary correlates each English word in the Bible to the definitions of the Greek or Hebrew words used in the original books of the Bible. For example, the word "servant" in the Proverbs 22:7 is the English definition of the word "`ebed" (eh'-bed) (Strong's concordance # 5650) in the original text. Strong's defines "`ebed" to mean or imply "a servant, bondage, bondman, [bond-] servant, (man-) servant".

This original word ("`ebed") was derived from Strong's concordance # 5647 "`abad" (aw-bad') which was "a primitive root; to work (in any sense); by implication, to serve, till, (causatively) enslave, etc.."

Note that although our modern understanding of the word "servant" is fairly benign, the underlying concept is ultimately derived from a word which can mean "enslave". Thirty centuries ago, people understood that a "servant" was not far removed from a "slave". Thus, it's not unreasonable to interpret Proverbs 22:7 as

> "The rich rule over the poor,
> and the borrower is *slave* to the lender."

Today, that interpretation seems irrelevant, even silly. But if you read the "IMF Colonizes Korea" article in this book, you'll see that the IMF is probably the single slickest predator to walk this earth

since Tyrannosaurus Rex. South Korea was literally "enslaved" by borrowing "money" from the IMF's bankers. And what the IMF did to Korea in 1998, they are about to do to Argentina, Japan and the USA.

Utopia or bust!

In late 2001, Wall Street spokesmen like former Federal Reserve Chairman Paul Volcker, Lazard Frageres, banker Felix Rohatyn and several Wall Street's "critics"—promised "IMF Reform" and hosted a several conferences, committees, and new institutes to "fix the system."

For example, a group of Third World scholars convened by Volcker and former U.S. Treasury official C. Fred Bergsten, released a 48-page report on IMF reform on November 5th, 2001, entitled "Rebuilding the International Financial Architecture."

On November 27, 2001, a new Center for Global Development (featuring World Bank chief economist Joseph Stiglitz and Harvard's Jeffrey Sachs) was founded in Washington and "dedicated to reducing global poverty and inequality".

Uh-huh. So these noble bankers and economists plan to "reduce global poverty and inequality." Sounds great. I can hardly wait. A chicken in every pot. Utopia must be just around the corner.

But in truth, while the IMF plan sounds benign, it is finally just another giant step toward the New World Order. The scores of approaching national bankruptcies will empower the IMF to step in as the grand imperial trustee for all the bankrupt nations. Once the IMF assumes the role of international trustee for all bankrupt nations, the IMF will rule the world and reveal itself as the New World Order.

All of this is the *inevitable* consequence of a *debt-based* monetary system in which banks place "money" into circulation for loans, but never add the necessary "money" to repay the interest on the loans. Such system is an economic black hole—no one can escape debt or the status of debtor in a debt-based monetary system.

Finders keepers

Up until 1934, money (gold and silver) was placed in circulation by ordinary people. We bought a burrow, a shovel and a pick, went out in the mountains and prospected for gold. If we found gold, we'd bring the ore back to a U.S. Mint which would smelt, purify, and assay our gold and then turn it into small disks of metal and stamp those disks with words and official graphics to certify that each disk was of a particular size, weight and purity of gold. The U.S. Mint would charge a small fee for processing the gold ore into gold coins, and then give the coins to their owner—the prospector who found the gold in the first place.

The prospector, in turn, would take his shiny new gold coins and give them the local saloon keeper and dance hall girls—who would use the coins to buy more liquor or condoms. In this way, the gold was placed in "circulation" in the local economy.

Note that in that system based on lawful money (gold and silver), it was possible to literally "find" or "create" the money necessary to

pay the interest on our loans. As long as we kept digging gold out of the ground faster than the bankers were charging as interest on our loans, the American people could safely borrow real money without being trapped in a financial system which condemned us all to the status of debtors and guaranteed we'd all eventually lose legal title to our land.

However, in 1933, we shifted from an asset-based monetary system to a debt-based monetary system. When we did, we absolutely lost our ability to repay our debts. Why? Because every bit of modern "money" in circulation was *loaned* into circulation. And every loan included a promise repay the principle *plus interest*.

For example, even though you've never borrowed a dime from a bank, you might still have a crisp $100 bill in your wallet. I guarantee that $100 bill could only find its way into your wallet if it was first *loaned* to someone. And when that first loan was made, the borrower promised to pay back $100 plus $5 interest at the end of the year.

Figuratively speaking, that means somebody's got to send that $100 bill—plus a $5 bill for interest—back to Alan Greenspan and the Federal Reserve System. The problem is that nobody created the additional $5 bill for interest. Sure, there are millions of $5 bills in circulation, but those were all also *loaned* into circulation. At 5% interest, each of those $5 bills will have to be returned to Greenspan and associates with a 25-cent piece attached to pay the interest on the $5 bill.

Do you see that every $1, $2, $5, $10, $20, $50 and $100 bill in your wallet, my wallet or the world's wallet was first loaned into circulation? And the only way that loan can be repaid with interest is if the interest were somehow "donated" (not loaned) into circulation. For example, if the Federal Reserve System placed a fresh $5 bill in circulation—*without interest*—for every $100 bill it loaned into circulation, it would be possible to repay our loans (at 5% interest rate), hold onto our collateral and keep legal title to our little piece of paradise. But because even the $5 and $1 bills are *loaned* into circulation, it's *impossible* to repay all of our loans. Therefore, each year more and more of us will forfeit our collateral to the banking system.

But because the monetary system is debt-based, we *must* borrow more money just to purchase groceries to feed our families or fill up our cars with gasoline. Bear in mind that the Federal Reserve System makes our FRNs out of paper and fabric that will wear out in a year or less. Then the Federal Reserve banks pull those worn FRNs out of circulation and burns them. Thus, we must borrow more money every year just to replace the worn-out FRNs that've been removed from circulation.

So if you go to the 7-11 to get a Slushie, somebody must first take out another loan to put more $5 bills in circulation so you can pay the clerk in cash. If we stop taking out more loans, there won't be any cash in circulation and the entire economy would grind to a halt and most of us would starve.

So we're trapped.

We can't stop borrowing and we can't ever repay our loans. As Tennessee Ernie Ford once sang, "I owe my soul to the company

store." We've been hustled like a pack of backwoods, Appalachian miners by the Federal Reserve System and the world's bankers.

The process runs something like this: At first, individuals use their land as collateral to borrow money and inevitably lose their land to the local banks. Later, as the number of landless grows and the government sees a risk of revolution, the government uses its land (national parks, forests, etc.) as collateral to borrows money from the IMF to give the people a little relief and stop them from rioting. But soon, even the government fails to repay its loans, the IMF eventually forecloses on the governments, on nations, and eventually owns the world. The "game" played in our banks is every bit as fixed as the games in Las Vegas. The house wins. Bet on it.

Given that the interest to repay the loans was never created, there's no possibility of lawful relief from this system. Debt-based currency ultimately condemns us all to poverty and bondage. Through the use of debt-based currency, we are returning to a feudal system in which the "masters," "bankers," or "kings"—whatever you care to call them—will virtually own the world and you and I and our children will be serfs on the global plantation.

Paradise regained?

I can see five ways to minimize or escape the monetary trap of debt-based currency:

1. The simplest and least likely solution is to persuade the bankers (who glibly claim they want to end "global poverty and inequality") to "donate" enough currency into circulation to repay the interest on whatever currency they loan into circulation. By donating enough "free money" into circulation, it would be technically possible to repay our debts. We would not be automatically condemned to lose legal title to all our land and surrender our piece of paradise to the banksters.

Of course, the probability that our benign old bankers will "donate" enough currency into circulation to pay the interest on the debt is less than zero. Christ will walk among us long before bankers lose their taste for usury.

2. This next "solution" is technically more difficult and is only a stop-gap measure, but the idea is fascinating: Engage in widespread counterfeiting and credit-card fraud.

One of the virtues of the asset-based monetary system was that, whenever We the People needed more money to pay the interest on our debts, we could go to work, dig more gold out of the ground, and pay the interest on our loans. Creating money this way wasn't easy, but it could be done. In an asset-based monetary system, ordinary people could simply "create" enough money to pay their debts and the interest on those debts.

However, in the current debt-based monetary system, ordinary people have no lawful means to "create" more "money". We can't afford to prospect for gold without first taking out a loan from the bank to purchase a new burrow. And the "legal" franchise for print-

ing paper currency is strictly limited to the Bureau of Printing and Engraving and the Federal Reserve System. Ordinary people can't "create" or "find" new money (gold or silver) nor can we lawfully print our own FRNs.

But if the thrust of this book is valid—if it's true that the modern debt-based monetary system is a racket whose real purpose is to take legal title to all property and reduce all human beings to slaves—then I see no reason to loyally support your local banker.

Therefore, folks might want to reconsider their aversion to counterfeiting. After all, when counterfeiters place more counterfeit FRNs into circulation, they are theoretically supplying some of the extra cash that's needed to repay the interest on our loans and thereby retain title to our collateral.

I'm not recommending that everyone start printing $100 bills on their color printers. Even though a pretty good counterfeiting technology is inexpensive and readily available in most computer stores, it's a dangerous enterprise. As I've warned for years, if there's one sure ticket into prison, it's messing with the money system.

However, while you shouldn't become a counterfeiter, you might think twice about voting to convict one if you're ever called up for jury duty.

I'm not arguing that counterfeiters are necessarily good people, but 'tis an ill wind that blows no good. In theory, the more "money" the counterfeiters put into circulation, the fewer Americans will lose their homes, farms and other property for lack of money to pay interest on loans (which may be exactly why gov-co hates counterfeiters). Properly argued, counterfeiting might be seen as a public service and counterfeiters viewed more like Robin Hood than Al Capone.

In 1919, the 18th Amendment prohibited the consumption of alcohol. In 1933, that amendment was repealed because juries simply stopped convicting bootleggers. When government could no longer get convictions, they repealed the 18th Amendment and implicitly conceded the astonishing power of jury nullification.

So what would happen if enough Americans understood the nature of money, our banking system and the bondage it intends for all of us? What would happen if our juries stopped convicting counterfeiters? What if the local grocery store clerk stopped using those peculiar pens to test every $100 bill that was used to pay for groceries? What if we all just winked at counterfeit FRNs? I doubt that it would force the system to go back to lawful money, but it would sure raise the bankers' blood pressure, give the American people a good laugh and possibly save some of us from guaranteed foreclosure.

3. We might generate sufficient peaceful political pressure to compel our government to switch back to lawful, asset-based money. Of course, the banks and existing government would exhaust all the money in the world to stop that effort. But with the internet and the opportunity to quickly educate millions of people on the true nature of money, a political solution (though improbable) is possible.

Of course, a political solution would be ideal. People would have to first become sufficiently educated to understand their rights and

the nature of money. Such understanding would be an extraordinary national blessing. A political solution would be messy, but it would be non-violent and likely to excise only the worst of our society while restoring the best.

4. We might precipitate a shooting revolution that overthrows the existing government, executes all bankers and establishes a new government that uses only lawful, asset-based money. Ultimately, this is the worst choice but it may also be the most likely. It will take time, but eventually the public will understand that the system has sold them into poverty and bondage. When they understand, they may revolt. If they do, however, the death toll will be staggering. Civilization might even perish, but if it survives, we might get back to a lawful, asset-based monetary system. On the other hand, in the aftermath of the carnage we might embrace a system that's even worse.

5. We can wait on the Messiah. When He returns, the issues of tender vs. legal tender, buying vs purchasing, and exchanging vs. transferring titles will be moot.

However, until He returns, we must choose between trying to expose and stop this banking system or surrendering ourselves, our children and future generations to slavery.

Once you begin to understand how this banking system works—once you understand that it's a racket designed for the primary purpose of owning all property and enslaving all people—you can't continue to view the debt-based system with approval or even indifference. You must begin to see that this system is not merely exploitative or even oppressive—it is monstrous, it is wicked, and insofar as it seems based on the "love of money," it may even be evil.

Do I go too far by characterizing the modern money system as "evil". Maybe.

But America has been trapped in a debt-based monetary system since 1934. For almost 70 years, *no one* in our own government has made a serious attempt to free us from a monetary tyranny that not only violates the fundamental principles of our "Declaration of Independence" and Federal Constitution, but promises to reduce us all to the status of slaves. Once you begin to understand the nature of money, it's very difficult to view the enormity and longevity of this betrayal by our own government without wondering if the forces supporting this debt-based system aren't supernatural.

To change this debt-based monetary system, you must first understand the nature of money. And when you understand, you must help others to also understand. When our understanding is sufficient, God willing, we might yet overcome and restore lawful monetary system.

Until then,

> "The rich rule over the poor,
> and the borrower is servant [perhaps slave] to the lender."
> —Proverbs 22:7

Economic Sorcery

by Alfred Adask

Throughout this book, I've occasionally suggested that our economic system has more to do with "sorcery" than science. Of course, I don't really see economics as "magical". Nevertheless, the analogy to "sorcery" is appropriate if only because economics is so subtle and complex that the average person finds it incomprehensible and even mystifying.

If John Maynard Keynes is roughly correct in declaring that only "one man in a million" can truly understand the economic system, it's no stretch to suppose that a high percentage of the 999,999 out of every million who don't understand could be easily persuaded that the economics is sorcery. The situation is somewhat like being the first primitive tribe in Africa or South America to encounter a European explorer. If the natives had never seen a rifle and had no background to understand that technology, it wouldn't be surprising if they concluded that the White man's "fire stick" has "big magic" and the White was a god, a demon or, at least, a sorcerer.

One man's established technology can be another man's magic. It all depends on your level of education and capacity to understand.

Moreover, our whole modern economy turns on the question of "consumer confidence". If the public is confident that the economy will continue to work well, that they'll have jobs and adequate sources of income, they'll continue to borrow money and buy products and the economy will be prosperous. However, if consumers lose their "confidence," the entire economy can collapse into a recession or even a depression.

And what is "consumer confidence" except a widespread belief, a "faith" in the future that is primarily based on nothing more than the "faith" itself? In 1934, President Roosevelt warned that we had nothing to fear but fear itself. In other words, the Depression was being sustained in large part simply by Americans' fear and resultant unwillingness to borrow or spend money.

As I write this article, there are major questions as to whether the recession of 2001 will continue, dissipate or get even worse in 2002. What will be the determining factor? Consumer confidence. Consumer "faith".

Once you recognize that economic "faith" is the key to prosperity (or poverty), you can begin to see that characterizing economics as "superstition" or even "sorcery" is not so far removed from reality. Economics is not just science, it's also spooky.

Mystical accounting

In 1776 Adam Smith published the first great book on economics: "The Wealth of Nations". In that book, Smith popularized the notion than the "unseen hand" of economics determines supplies, demands and prices. In 1920, Lord Keynes referenced the "hidden forces" of economics. By referencing an "unseen hand" and "hidden forces," both master economists implied the mysterious and potentially "magical" aspect of economics. For the common man, these implications are consistent with superstitious beliefs in economic "sorcery".

Historically, a superstitious foundation for economics can be traced all the way back into the Old Testament. For example, the Bible's first prohibition against usury—charging *any* interest (not just high interest) on loans to fellow Israelites—can be found at Exodus 22:25

> If thou lend money to any of my people that is poor by thee, thou shalt not be to him as an usurer, neither shalt thou lay upon him usury. (KJV)

This first prohibition against usury was later repeated in Leviticus, Deuteronomy, Psalms, Proverbs, Jeremiah, Ezekiel, and Nehemiah.

The chronology of his first prohibition against usury is interesting. Historically, Exodus 22:25 was promulgated simultaneously with the Ten Commandments—about 1446 B.C.—about three months after the Israelites exited Egypt.

It strikes me strange that God (or Moses) would bother to prohibit usury to a people who had been slaves for over two centuries. What do homeless slaves know about lending money or charging interest? At first glance, this early law against usury seems about as relevant to the homeless Israelites as passing another law that they couldn't take more than one piece of carry-on luggage when they fly on a 747. Sure, such "law" might one day stand Israel in good stead, but why give such law to a people just released from two centuries of bondage? How could they understand? What recent, previous experience could slaves have had that equipped them to understand usury or regard such "high finance" as relevant?

I doubt that any such "financial" understanding existed for the vast majority of Israelite slaves. Thus, usury had to be prohibited as a Law of *God* rather than as a secular regulation based on the objective experience of reality that all could see and understand. In other words, if a mere man said they shouldn't allow usury, the average Israelite might look at him like he was nuts. They wouldn't know what usury was, so they'd wonder what this guy was up to who wanted to prohibit usury. In essence, they'd probably wonder "What's *his* angle?"

However, if *God* says "No usury"—who would argue? Even if they didn't know what usury was, if God says don't do it, that would be good enough for them. The fact that usury was initially prohibited by "*divine* ordinance" tends to support the suspicion that the roots of usury may be found in superstition, in belief rather than knowledge, and even in apparent "magic".

Seductive slavery

The "divine" prohibition against usury seems especially peculiar since conventional understanding of the Israelite's slavery tells us that Egyptians used brute force to sustain the oppression. We speak of Israelite slaves and the image instantly comes to mind of cruel Egyptian taskmasters whipping defenseless Israelites to pull huge blocks of stone to make monuments or make bricks without straw. Based on that image of forceful oppression, we assume the Egyptians must've captured and enslaved the relatively weak Israelites with brutal, superior force from the beginning.

But that's just not so.

Old Testament history indicates the Israelite Joseph (son of Jacob) was sold by his brothers into slavery in Egypt at about 1900 B.C. but later freed and elevated to the position of "ruler over Egypt" (Acts 7:11). Shortly thereafter (about 1876 B.C.), Jacob and 70 members of his family settled peacefully in Egypt. These Israelites and their offspring lived as free citizens of Egypt for over two centuries.

According to *Matthew Henry's Commentaries* (written in 1706 A.D.), the Israelites enjoyed a "happy shelter and settlement" in Egypt from their arrival in 1876 B.C. until the first Egyptian Pharaoh decided to oppress them in 1650 B.C.. Exodus 1:1-7 summarizes this early history:

> Now [approximately 1876 B.C.] . . . the children of Israel, which came into Egypt; every man and his household came with Jacob. . . . And all the souls that came out of the loins of Jacob were seventy souls . . . . And the children of Israel were fruitful, and increased abundantly, and multiplied, and waxed exceeding mighty; and the land was filled with them. [Insertion add.]

Ahh—the handful of Israelites prospered, they grew in number, and in just over two centuries, Egypt was "filled with them".

And that was the problem.

According the Matthew Henry, by 1650 B.C., the Israelite population had increased to "six hundred thousand fighting men". They had become so numerous and powerful, they began to intimidate their Egyptian hosts.

Exodus 1:8-10 continues:

> Now [approximately 1650 B.C.] there arose up a new king over Egypt . . . . And he said unto his people, Behold, the people of the children of Israel are *more and mightier* than we: Come on, let us deal *wisely* with them; lest they multiply, and it come to pass, that, when there falleth out any war, they join also unto our enemies, and fight against us, and so get them up out of the land. [Emph. and insertions add.]

So, after more than two centuries of amiable relations, the native Egyptians decided to oppress and enslave the "mightier" offspring of the immigrant Israelites.

According to *Matthew Henry's Commentaries*, after 1650 B.C., Egypt became a "house of bondage for Israel". Egyptians who had been the Israelites' "faithful friends" slowly turned to hate the Israelites. Matthew Henry explained the reasons Egypt turned against the Israelites:

> 1. The Israelites were represented as "*more and mightier* than the Egyptians . . . and looked on as a formidable body."
>
> 2. "Hence it is inferred that if care were not taken to keep them under [Egyptian control], [the Israelites] would become dangerous to the government, and in time of war would side with their enemies and revolt from their allegiance to the crown of Egypt. . . .
>
> 3. "It is therefore proposed that a course be taken to prevent their increase: Come on, let us deal *wisely* with them, lest they multiply. . . . [Emph. and insertions add.]

Note that the Egyptian Pharaoh claims the Israelites had so prospered in Egypt, that they were "more and mightier than the Egyptians." The Pharaoh's implicit claim that Israelites had grown to comprise over half of Egypt may be an exaggeration. Nevertheless, a substantial portion (between 10% and 40%) of the population of Egypt were Israelites. Further, given the Israelite's remarkably rapid population growth, the Egyptian king was apparently convinced that the native Egyptians might soon be rendered a minority in their own land.

However, the Israelites "mighty" numbers created a problem for the Egyptian Pharaoh. There were so many Israelites, they could not be oppressed or enslaved as a mere act of power. How can you overcome a people who are "more and mightier" than you?

For example, suppose White America determined to once again subject American Blacks to slavery by overt force. Today, Blacks represent just 13% of the population. But can you imagine the bloodbath and destruction of property that would follow any attempt by

87% of America to "re-enslave" the Blacks? Even with a seven-to-one population advantage, it would be incredibly self-destructive for the American majority to once again subject Blacks to slavery by force.

Likewise, how could Pharaoh manage to subject the "more and mightier" Israelites to slavery? Whatever his strategy, it could not be initiated by force. Later, once the slavery was established, that oppression might be maintained by force. But, initially, the slavery could only be imposed with great cleverness.

Therefore, the King James Bible reports that the Pharaoh said, "Come on, let us deal *wisely* with them". (Ex. 1:10). The New International Version, the Pharaoh said, "Come, we must deal *"shrewdly"* with them". In New Testament recollections of the same event (Psalms 105:23-26 and Acts 7:17-19), the Pharaoh is quoted as saying they should deal "subtilly" with the Israelites.

In other words, the Pharaoh decided that the Israelites could not be enslaved by force, so he instead decided to snare them through sophistication, deceit and perhaps, the ancient equivalent of "magic". The Egyptians would be "wise," "shrewd," and "subtle". In essence, the Israelites would be seduced, even enchanted into slavery—but not forced.

Matthew Henry outlines the Pharaoh's strategy thus:

> 1. They took care to *keep them poor*, by charging them with *heavy taxes*, which, some think, is included in the burdens with which they afflicted them.
>
> 2. By this means they took an effectual course to *make them slaves*. . . .They had taskmasters set over them . . . to afflict them with their burdens, and contrive how to make them grievous. They not only made them *serve*, which was sufficient for Pharaoh's *profit*, but they made them serve with rigour, so that their lives became bitter to them, intending hereby,
>
> (1.) To break their spirits, and rob them of every thing in them that was ingenuous and generous.
>
> (2.) to *ruin their health* and shorten their days, and so diminish their numbers.
>
> (3.) to *discourage them from marrying*, since their children would be born to slavery.
>
> (4.) to oblige them to desert the Hebrews, and *incorporate themselves with the Egyptians*. Thus he hoped to cut off the name of Israel, that it might be no more in remembrance. And it is to be feared that the oppression they were under had this bad effect upon them, that it brought over many of them to join with the Egyptians in their idolatrous worship; for we read <Josh. 24:14> that they *served other gods* in Egypt . . . . [Emph. add.] [1]

Caveat emptor

The previous outline indicates that Pharaoh's strategy focused on raising taxes on the Israelites.

I don't buy it.

First, merely raising taxes won't work. Although I don't doubt that the Pharaoh raised taxes, that can not have been his complete, fundamental strategy. After all, there's nothing particularly "wise," "shrewd" or "subtle" about raising taxes. Every knuckle-dragging politician and king since time began has raised taxes. But it doesn't usually work. Even the most ignorant subjects understand when they're being taxed into oblivion. Although over-taxed subjects seldom revolt, they quickly learn to cheat on their taxes, conceal their income and participate an underground economy.

I suspect that to trick a nation "mightier" than yourself into slavery, you must emulate Tom Sawyer and essentially deceive your victim into *volunteering* to whitewash your fence. You must make them unwittingly volunteer to be your slaves. And I see no way to do that by merely raising taxes.

Whatever the Pharaoh did to enslave the Israelites, it had be more "subtle" than merely raising taxes. I believe that subtlety was implied when Matthew Henry further described the Egyptians' strategy:

> They not only made them *serve*, which was sufficient for Pharaoh's *profit*, but they made them serve with rigour, so that their lives became bitter to them . . . . [Emph. add.]

It appears that the Israelites were made to "serve" the Pharaoh to generate a "profit". However, this profit-generating "service" was not obviously objectionable to the Israelites. What bothered them was that the service (intended to merely generate a "profit") later became bitterly "rigorous". It is the "rigor" that included the cruel taskmasters, whips and hard labor and ultimately was seen as "slavery". But it appears that the debt "service" that first put the Israelites on the road to bondage was seemingly unobjectionable.

Do you suppose the Pharaoh offered loans and credit to the Israelites? Were they enticed by the promise of "easy credit" now without understanding the consequences of usury later? Did Pharaoh offer the Israelites the equivalent of a Master Card? A home improvement loan? Easy-credit on a new, low-mileage camel?

I'll bet a year's pay that's just about what happened.

The Israelites were originally enslaved through the magical "subtlety" of usury.

At first, that notion sounds nuts. Why would Pharaoh loan money to slaves?

But he didn't. Remember, the Pharaoh's plot began when the Israelites were "more and mightier" than the Egyptians. The Israelites were prospering in Egypt and thus must've had material wealth and desired even more. So if the Pharaoh offered them some easy credit to use his money to buy food or property, and held their property as collateral for the resulting debt, the Israelites might've "volunteered" into the Pharaoh's "service" expecting to repay their debts but not understanding that the interest made repayment impossible. In essence, the Pharaoh cast a "magic spell" on the ignorant Israelites called "usury".

Jewish moneylenders

Nehemiah 5:1-12 explains into how Jews in 430 B.C. (about 1,000 years after the exodus and receipt of the Ten Commandments) ignored the biblical prohibition and enforced usury against fellow Jews:

> And there was a great cry of the people and of their wives against their brethren the Jews. . . . Some also there were that said, We have *mortgaged* our lands, vineyards, and houses, that we might buy corn, because of the dearth. [There was a drought; people's homegrown food supplies failed so they had to borrow money to buy food to survive.] There were also that said, We have *borrowed* money for the *king's tribute*, and that upon our lands and vineyards. [They were forced to borrow money to pay the king's taxes.] . . . . and, lo, we bring into *bondage* our sons and our daughters to be servants, and some of our daughters are brought unto bondage already: *neither is it in our power to redeem them; for other men have our lands and vineyards.* [They were trapped in perpetual debt that could not be escaped because they'd already lost their lands and businesses to Jewish money lenders. As a result, the Jews were left with just one last "property" to surrender as collateral to the money lenders: their children.] . . . . Then I [Nehemiah] . . . rebuked the nobles, and the rulers, and said unto them, Ye exact *usury*, every one of his brother. . . . It is not good that ye do . . . . I pray you, let us leave off this usury. Restore, I pray you, to them, even this day, their lands, their vineyards, their oliveyards, and their houses, also the hundredth part of the money, and of the corn, the wine, and the oil, that ye exact of them. Then said they, We will restore them, and will require nothing of them; so will we do as thou sayest. . . . [Emph. and insertions add.]

Matthew Henry's commentary on Nehemiah 5 reads in part:

> As corn was dear, so the taxes were high; the king's tribute must be paid, v. 4. . . . Now, it seems, they had not wherewithal of their own to buy corn and pay taxes, but were *necessitated to borrow*. . . .The persons they dealt with were hard. Money must be had, but it must be borrowed; and those that lent them money, taking advantage of their necessity, were very hard upon them and made a prey of them. They exacted interest from them at twelve per cent, the *hundredth part every month*, v. 11. . . . . [Such a deal! To borrow "$1,000," the Jews would only have to repay "$10" per month (1%) as interest. It seems like an irresistible offer, but it is nevertheless ruinous.] They forced them to mortgage to them their lands and houses for the securing of the money (v. 3), and not only so, but took the profits of them for *interest* (v. 5, compare v. 11), that *by degrees they* [the money lenders]

might make themselves masters of all they had. Yet this was not the worst. They took their children for bond-servants, to be enslaved or sold at pleasure, v. 5. This they complain of most sensibly, as that which touched them in a tender part, and they aggravate it with this: "Our children are as their children, as dear to us as theirs are to them; not only of the same human nature, and entitled to the honours and liberties of that <Mal. 2:10; Job 31:15>, but of the same holy nation, free-born Israelites, and dignified with the same privileges. Our flesh carries in it the sacred seal of the covenant of circumcision, as well as the flesh of our brethren; yet our heirs must be their slaves, and it is *not in our power to redeem them*." [There probably wasn't enough money is circulation to repay both the debt and the interest. If so, it was literally impossible for the Israelites to repay their debt.]. . . Whither should the injured poor flee for succour but to . . . the *chancery* [The modern term is "court of equity"], to the charity, in the royal breast, and those deputed by it for relief against the *summum jus*—the extremity of the *law*? [Emph. add.]

> "Capital must protect itself in every way... Debts must be collected and loans and mortgages foreclosed as soon as possible. When through a process of law the common people have lost their homes, they will be more tractable and more easily governed by the strong arm of the law (read police powers) applied by the central power of leading financiers. People without homes will not quarrel with their leaders. This is well known among our principal men now engaged in forming an imperialism of capitalism to govern the world. By dividing the people we can get them to expend their energies in fighting over questions of no importance to us except as teachers of the common herd."
>
> ***The Organizer***
> **Civil Servants' Year Book (1934)**

Fascinating. This passage implies that even in 430 B.C. (2,400 years ago), debtors were effectively denied access to Law since they could only plead for relief in courts of chancery/equity. Just like today. Nothing new under the sun, hmm?

And yet, after 2,400 years of Western history consistently demonstrating the danger of usury, how many living Americans have any real understanding of the peril of debt? Virtually none. To paraphrase Jesus, it's not only the poor who will always be with us, but also the ignorant.

In any case, I'll bet that the Pharaoh used virtually the same strategy in 1650 B.C. to bind the Israelites into slavery. The Pharaoh raised taxes and then enticed the Israelites into borrowing money to pay the taxes. When the Israelites agreed to accept the loans and repay the debt *plus interest* (usury), they were "by degree" trapped by "service" to the Pharaoh into unredeemable bondage, and slavery.

As one generation Israelites forfeit its title to land and tangible wealth, they were left with a single "property" to use as collateral for their loans: their children. In one generation, perhaps only 10% of the Israelites forfeit their children into bondage. In the next genera-

tion, 10% more, and so on. As the children were lost to bondage, they would grow older and have their own children who not be forfeit into bondage, but rather be *born* into bondage as slaves. For the sons and daughters of such slaves, no earthly redemption was possible. Freedom was seemingly impossible. Eventually, there would be more slave Israelites than free Israelites until—over a century or more—the entire Israelite population would be converted to slaves. (Perhaps Pharaoh would sort the free Israelites from the slave Israelites by issuing Social Security Numbers at birth to those born into slavery.) All of this would be "legal". Even the Israelites would agree and accept the consequences of their debts. The process might take several generations, a century or more to complete. But once initiated with the first loans, the end would be inevitable. By moving slowly, the process made it very difficult for the Israelites to understand or resist their predicament. They would enslaved just like you boil live frogs—by raising the "temperature" of the water slowly, "subtly".

In the case of the Israelites, it took most of two centuries of Egyptian "magic" to reduce them to such slavery and oppression that only God could finally redeem them from Egypt.

I suspect that's why God is referred to as the "redeemer". The Israelites, themselves, had become the "collateral" for their debts. They'd been pawned to borrow money to pay debts that couldn't possibly be paid. Worse, the impoverished Israelites couldn't possibly redeem themselves out of the Egyptian "pawn shop". As a result, only God, Himself, could "redeem" the Israelites from the eternal debt and bondage they had agreed to accept when they first borrowed money for usury.

Higher education

Even if the Pharaoh devised a "subtle" spell of usury in 1650 B.C. to bind the free Israelites to "service" (and then to slavery)—it's still unlikely that the Israelite slaves of 1446 B.C. would recall their free ancestors' damnable use of credit two centuries earlier. Instead, they would be slaves without understanding how or why they became bound. If so, why was the prohibition against usury provided immediately after the Ten Commandments? How could the Israelites have known or remembered that usury seduced their ancestors into slavery?

The New Testament offers an indirect answer to those questions. In 60 A.D., Stephen tried to defend himself against charges by the Sanhedrin. In his defense, Stephen compared the Jews' oppression of newly emerging Christians to the oppression of the Israelites by the Egyptians over 1,500 years earlier. Stephen's defense is found in Acts 7.

Matthew Henry's Commentary outlines Stephen's defense and offers support for a bit more speculation on the surprisingly early prohibition against usury. Mr. Henry explained,

> "Moses was born when the persecution of Israel was at the hottest, especially in that most cruel instance of it, the murdering of the new-born children: At that time, Moses was

> born [1526 B.C.] (v. 20), and was himself in danger . . but was saved by Pharaoh's daughter, who took him up, and nourished him as her own son (v. 21). . . .
>
> Moses became a prime minister of the state in Egypt, but he was also a great scholar (v. 22): He was learned in *all* the wisdom of the Egyptians . . . . Having his education at court, Moses had opportunity of improving himself by the best books, tutors, and conversation, in *all* the arts and sciences, and had a genius for them. Only we have reason to think that he had not so far forgotten the God of his fathers as to acquaint himself with the unlawful studies and practices of the *magicians* of Egypt, any further than was necessary to the *confuting* of them. [Emph. and insertion add.]

Did the Israelite slaves remember how usury was used to entrap their ancestor two centuries earlier? Almost certainly not. And even if they did remember, were they likely to have understood how or why the "spell" of usury worked or why it was so dangerous? Again, if John Maynard Keynes "one-in-a-million" estimate is valid, the vast majority of Israelites could not have understood the mysterious nature of money and usury.

But there was "one in a million"—Moses. He'd been educated in the Pharaoh's palace. He'd been tutored in all the arts and sciences, and even learned enough of the practices of Egyptian magicians to "confute" their magic.

I believe Moses understood the mystery of usury. Moses knew how the Israelites had been enslaved two centuries earlier. In fact, usury may have been the foundation for many Egyptian conquests—a "secret weapon" in their political arsenal. As prime minister and a "great scholar," it would be astonishing if Moses had not learned the secret and power of usury.

We can debate whether God expressly told Moses to include the prohibition against usury in 1446 B.C., or whether God merely provided Moses with a "palatial" education that allowed Moses to understand the danger of usury and therefore add the prohibition against usury on his own. In either case, Moses knew usury must be prohibited.

Babylonian or Egyptian?

Today, some religious people criticize our debt-based monetary system as "Babylonian" in origin. Who knows? They might be right. However, even if it's possible that our current system might be somehow traced to Babylon, I suspect the origin of usury was in ancient Egyptian. So if you wish to explore that origin, I recommend you investigate the ancient Egyptian texts for magic. Perhaps the Book of the Dead. Perhaps another text that existed at least as early as 1650 B.C. But I'm willing to bet that, as originally discovered and applied, usury was seen as a "magic spell," and act of sorcery which engaged the mysterious "hidden forces" and "unseen hand" of economics through which a minority could enslave a nation—even the world—without going to war.

And to this day, for all practical purposes, that "sorcery" still works. So long as people do not understand the nature of money, they will be subject those who do. This isn't news. It's ancient history. But what school teaches this lesson?

> "The rich rule over the poor,
> and the borrower is servant to the lender."
> —Proverbs 22:7

Like the ancient Israelites, Americans have been similarly "enchanted" and ensnared by a debt-based money system for over 70 years. Already our government claims ownership of our children though the doctrine of "parens patriae".[2] Parents have been reduced to the status of mere caretakers and babysitters. Our children have never even seen true "money" and hope only for the benefits of a slave-Master Card. Legal title to our National Parks—some of our most precious *land*—has been openly ceded to the control of UN trustees.

And many believe that—thanks to Section 4 of the 14th Amendment ("The validity of the public debt of the United States, authorized by law, . . . shall not be questioned.")—citizens of the United States are all pledged like so much chattel to try to pay the unpayable burden of public debts that may extend back as far as the Civil War. Imagine—public debts which, according to the Constitution, can't be ignored, denied, or even "questioned".

As a result, these "unquestionable" debts seemingly hang like invisible chains on the neck of each citizen, like a brand, like a mark of bondage, servitude and status. If so, just as the Israelites once pledged their children into bondage as collateral for their loans, our "father" in Washington D.C. has seemingly pledged the American people into bondage to international bankers as collateral for loans to government.

Others argue that we've been unwittingly "pledged" as collateral by our parents with our state-issued birth certificates or registration for Social Security. Whatever the means of such bondage—whether it be achieved by government or our parents or both—if such bondage has taken place, and if such bondage attaches almost from birth, who among us is "free born"? Isn't the blessing of being born free (unencumbered by debt or servitude) the first element of what America was intended to be and to provide? (Has a silent counter-revolution already occurred?)

And if such "constitutional" bondage is already imposed on you and me and our children, who will redeem us and future generations? God? Revolution?

Deliverance?

Those who won't learn from history are bound to repeat it. And bear in mind that the last time the nation of Israel succumbed to the temptations of a debt-based monetary system, they were enslaved for over two centuries. Moreover, they could only escape through divine intervention and God's own "redemption". Usury is truly a snare of biblical proportions that's so powerful that only God—or a perhaps a shooting revolution—can set you free.[3]

Jesus Christ is also referenced as our "redeemer". The only people who made Jesus mad enough to start swinging a whip were the "money changers" in the temple. And though Jesus was criticized for his relationships with lepers, thieves, tax collectors and other sinners—so far as I know, Jesus did not sink so low as to have relationships with money lenders. 1 Titus 6:10 warns that the "love of money is the root of all evil." I would suggest that the "love of usury" is the root of all evil, or perhaps the "love of money" is synonymous with usury. Clearly, Christ was not the patron saint of bankers and the New Testament is every bit as wary of money changers, money lenders and money itself as the Old Testament.

Nevertheless—despite express biblical prohibitions and historical examples in both the Old and New Testaments—the mystery of usury has plagued the western world for over 3,600 years.[4]

Today, the American people are every bit as ignorant about the nature of money as were the Israelites slaves 1,600 years before the birth of Christ. Thanks to that ignorance, we are every bit as mystified by the "sorcery" of usury as the ancient Israelites. And based on our ignorance, we are again slipping into a bondage from which we, too, may only escape through massive violence or God's redemption.

So—should we laugh at mankind's seemingly perpetual ignorance?

Or cry?

Should we tremble at the ability of the world's rulers to hide and suppress the ancient knowledge of the power of usury?

Or should we "deliver ourselves"? Should we work to educate ourselves, our children and our nation until at least some of us to understand the nature of money, "come out of" this system, and escape the servitude of debt?

[1] You might want to re-read that strategy and see how far it differs from the public policy currently advocated in Washington D.C.. I won't get into it here, but I guarantee that I can see concrete examples of every bit of that ancient strategy being currently deployed against the American people.

[2] See *Suspicions* magazine Volume 11 No. 2 at http://www.antishyster.com

[3] Now ask yourself, what power exists in this universe that is so great that it can only be overcome by God Himself?

[4] You might also want to reflect on the Lord's Prayer, part of which is variously interpreted as "forgive us our trespasses, as we forgive those who trespass against us" or "forgive us our *debts* as we forgive our *debtors*."

It's interesting that we don't pray to God to directly pay our debts, nor to give us enough money so we can personally pay our debts. Instead, we pray that our debts be "forgiven". Is "forgiveness" the only course of action—even for God—for a debt (at least one including usury) that's "impossible" to pay? No. For God, all things are possible.

But for mankind, faced with the impossible task of repaying debts with usury, there may be only two options: perpetual slavery or forgiveness.

Quotes

Here are a few quotes made over several centuries by various individuals, institutions or court cases on the nature of money.

"A disordered currency is one of the greatest political evils. It undermines the virtues necessary for the support of the social system, and encourages propensities destructive to its happiness. It wars against industry, frugality and economy, and it fosters evil spirits of extravagance and speculation. Of all the contrivances for cheating the laboring classes of mankind, none has been more effectual than that which deludes them with paper money."

Daniel Webster, Congressional Record (March 4, 1846)

"Those who create and issue credit and money, direct the policies of government, and hold in the hollow of their hands the destiny of the people."

The Right-Honorable Reginald McKenna, Midland Bank of England, Secretary of the Exchequer

"The Federal Reserve Banks are privately owned, locally controlled corporations"

Lewis vs. U.S., 680 F.2d 1239, 1241 (1982)

"From a legal standpoint these banks are private corporations, organized under a special act of Congress, namely, the Federal Reserve Act. They are not in the strict sense of the word, 'Government banks'."

William P. Harding, Governor of the Federal Reserve Board (1921)

"Let us see how a bank creates a mortgage lien on a house: A man who owns a building lot and has $20,000 needs an additional $75,000 to build a house. If the banker finds the collateral sufficient, he may credit the man's checking account with $80,000—minus several 'points' for expenses—against which checks can be written to pay for construction. When the house is completed, it will have a thirty-year lien at 12 or 15 percent. After working 30 years to liquidate the debt, the owner will have paid perhaps $300,000 for something that did not cost the banker a dime in the first place. This is the magic of fractional reserve banking."

***The Battle for the Constitution,* Dr. Martin A. Larson**

"Suppose you deposit $1,000 into a bank at 10% compound annual interest, which means that each year you will make interest on the interest. In 145 years you will have over $1 billion, an exponential growth of 1,000,000 times.

"The moral: A small amount, held as a perpetual debt, quickly compounds to astronomical amounts.

"Our money supply was loaned into existence, and you don't pay back a money supply. Compound interest payments will cause this debt to rise to astronomical amounts (it already has). Furthermore, there is always more debt than there is money to pay it back, so it can never be paid back The best we can do is refinance it."

Richard Walbaum
***The Poverty Trap; Why You Can't Save* (1992)**

"Inflation is a method of taxation which the government uses to secure the command over real resources; resources just as real as those obtained by ordinary taxation. What is raised by printing notes is just as much taken from the public, as is an income tax. A government can live by this means, when it can live by no other. It is the form of taxation that the public finds hardest to evade, and even the weakest government can enforce it when it can enforce no other.

"By a continuous process of inflation, government can confiscate secretly and unobserved an important part of the wealth of their citizens. By this method, they not only confiscate, they confiscate arbitrarily, and while the confiscation impoverishes many, it enriches some. Lenin was certainly right, 'There is no surer way of overturning a society, than to debauch the currency.' The process engages all the hidden forces of economic law on the side of destruction, and does so in such a manner that only one man in a million is able to diagnose it."

John Maynard Keynes (1920)
The Economic Consequences Of Peace

"About all a Federal Reserve note can legally do is wipe out one debt and replace it with itself, another debt; a note that promises nothing. If anything has been paid, the payment occurs only in the minds of the parties—in the *ideasphere*—not the real world."

F. Tupper Saussy
The Miracle On Main Street,

"Government is the only agency that can take a valuable commodity like paper, slap some ink on it, and make it totally worthless."

Ludwig von Mises

"Persons who don't know the difference between gold and paper don't know the difference between reality and dreams, so let them pay for living in the ideasphere by giving up their property to the tentacles of inflation."

F. Tupper Saussy
The Miracle On Main Street

"The real rulers in Washington are invisible and exercise power from behind the scenes."

Felix Frankfurter
U.S. Supreme Court Justice

"The real menace of our Republic is the invisible government which, like a giant octopus, sprawls its slimy legs over our cities, states and nation."

John F. Hylan
Mayor of New York from 1918-1925

"Fundamental, Bible-believing people do not have the right to indoctrinate their children in their religious beliefs because we, the state, are preparing them for the year 2000, when America will be part of a one-world order global society and their children will not fit in."

Peter Hoagland
Nebraska State Senator radio interview 1983

"The technetronic era involves the gradual appearance of a more controlled society. Such a society would be dominated by an elite, unrestrained by traditional values."

Zbigniew Brzezinski
(National Security Advisor to four Presidents)
in his book, *Between Two Ages*

"The issues [of the confidence in paper money] are economic, political, and psychological."

Gold
Federal Reserve Bank of Philadelphia

"The New World Order under the UN will reduce everything to one common denominator. The system will be made up of a single currency, single centrally financed government, single tax system, single language, single political system, single world court of justice, single state religion. . . . Each person will have a registered number, without which he will not be allowed to buy or sell; and there will be one universal world church. Anyone who refuses to take part in this universal system will have no right to exist."

Dr. Kurk E. Koch

"In the case of the federal government, we can print money to pay for our folly for a time. But we will just continue to debase our currency, and then we'll have financial collapse. That is the road we are on today. That is the direction in which the 'humanitarians' are leading us. But there is nothing 'humanitarian' about the collapse of a great industrial civilization. There is nothing 'humanitarian' about the dictatorship that must inevitably take over as terrified people cry out for leadership. There is nothing 'humanitarian' about the loss of freedom. That is why we must be concerned with the cancerous growth of government and its steady devouring of our citizens' productive energies. . . I speak of this so insistently because I hear no one discussing this danger. Congress does not discuss it. The press does not discuss it. Look around us—the press isn't even here! The people do not discuss it—they are unaware of it. No counter-force in America is being mobilized to fight this danger. The battle is being lost, and not a shot is being fired."

Congressman William E. Simon
speech to the House of Representatives (April 30, 1976)

"We are here now in chapter 11. Members of Congress are official trustees presiding over the greatest reorganization of any bankrupt entity in world history—the United States Government. We are setting forth hopefully, a blueprint for our future. There are some who say that it is a coroner's report that will lead to our demise."

Congressman James Traficant
House Record 1303 (March 17, 1993)

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