

# 5

# WHAT'S CAUSING THE GLOBAL CRISIS?

Why the world's financial system and the US banks were on the verge of collapse and what to do about it.

How international bankers gained control of America.

This chapter was written in 1998, almost ten years before the global credit crisis and the subprime problems. In hindsight, it provides fascinating reading and an insight into why the world's financial system and the US banks are on the verge of collapse and how international bankers gained control of America.

This edited version was extracted from the revised and updated book of the video, *The Money Masters: How International Bankers Gained Control of America*, produced by Patrick S. J. Carmack for Royalty Production Company, Colorado, US.

### **The US Federal Reserve**

There was a time when to ask someone for whom he worked was considered somewhat insulting, as it implied he was an incompetent, incapable of gainful self-employment. But now, property ownership (net wealth) is not a general feature of our society, as it largely was until the Great Depression. Rather, net debt and complete dependence on a precarious wage or salary at the will of others is the general condition.

Since the exercise of freedom often includes using material objects such as books, food, clothing, shelter, arms, transport, etc., the choice and possession of which requires some wealth, we are forced to admit that the general condition of Americans is one of increasing dependence and limitations on freedom.

Since the turn of the century, it has occurred throughout the world a major increase in debt and a major decline in the freedom of individuals and states to conduct their own affairs. To restore a condition of widespread, modest wealth is therefore essential to regaining and preserving our freedom.

Why are we over our heads in debt? Why can't politicians bring debt under control? Why are so many people (often, both parents) working at low-paying, dead-end jobs and still making do with less? What's the future of the American economy and way of life? Are we headed into an economic crash of unprecedented proportions?

Larry Bates was a bank president for eleven years. As a member of the Tennessee House of Representatives, he chaired the Committee on Banking and Commerce.

He's also a former professor of economics and the author of the bestselling book, *The New Economic Disorder*. He has this to say about our future prospects:

I can tell you right now that there is going to be a crash of unprecedented proportions - a crash like we have never seen before in this country. The greatest shock of this decade is that more people are about to lose more money than at any time before in history, but the second greatest shock will be the incredible amount of money a relatively small group of people will make at the same time. You see, in periods of economic upheaval in periods of economic crisis, wealth is not destroyed - it is merely transferred.

Former US presidential candidate Charles Collins is a lawyer and a banker who owned banks and served as a bank director. He believes we'll never get out of debt because the Federal Reserve ('the Fed') is in control of our money. To quote Collins:

*Right now, it's perpetuated by the Federal Reserve making us borrow the money from them, at an interest, to pay the interest that's already accumulated. So we cannot get out of debt the way we're going now.*

Economist Henry Pasquet is a tenured instructor in economics. He agrees that the end is near for the US economy:

*No, not when you are adding roughly a billion dollars a day. We just can't go on. We had less than one trillion dollars of national debt in 1980; now it's \$5 trillion - five times greater in fifteen years. It doesn't take a genius to realise that this just can't go on forever.*

The problem is that the US has one of the worst monetary systems ever devised: a central bank that operates independently of the government, which, with other private banks, creates all of our money at a parallel amount of interest-bearing debt. That's why we can never get out of debt.

And that's why a deep depression is a certainty for most US citizens, whether caused suddenly in a severe economic crash or gradually through continued relentless inflation. The Fed is creating it to enrich its private shareholders - just as it deliberately created the Great Depression of the 1930s.

The Federal Reserve headquarters is in Washington, DC. It sits on a very impressive address on Constitution Avenue, right across from the Lincoln Memorial. But is it 'Federal'? Is it really part of the United States Government?

Well, what we are about to show you is that there is nothing "Federal" about the Federal Reserve- and there are no reserves. The name is a deception created before the Federal Reserve Act was passed in 1913 to make Americans think that America's new central bank operates for public interest.

The truth is that the Fed is a private (or, at best, quasi-public) bank owned by private national banks, which are the shareholders, and run for their private profit. As economist Henry Pasquet noted:

*That's exactly correct: the Fed is a privately owned, for-profit corporation which has no reserves - at least no reserves to back up the Federal Reserve notes which are our common currency.*

As author Anthony C. Sutton noted:

*The Federal Reserve System is a legal private monopoly of the money supply, operated for the benefit of the few under the guise of protecting and promoting the public interest.*

If there's any doubt whether the Federal Reserve is a part of the US Government, check your local telephone book. It's not listed in the 'government' blue pages. It is correctly listed in the 'business' white pages, right next to Federal Express, which is another private company. But more directly, US courts have ruled that the Fed is a special form of private corporation.

Let's take a look at the Fed shareholders. According to researcher Eric Samuelson, as of November 1997 the Federal Reserve Bank of New York (which completely dominates the other 11 branches through share ownership, control and influence, having the only permanent voting seat on the Federal Open Market Committee and handling all open market bond transactions), has 19,752,655 outstanding shares and is majority-owned by two banks: Chase Manhattan bank (now merged with Chemical Bank), with 6,389,445 shares or 32.35 per cent; Citibank, NA with 4,051,851 shares or 20.51 per cent. Together, those banks own 10,441,295 shares or 52.86 per cent - which is majority control.

While majority ownership conclusively demonstrates effective control, it is not critical to control - which is often exercised in large, publicly traded corporations by blocks of as little as 25 per cent, and even two per cent when the other owners hold smaller blocks.

One of the most outspoken critics of the Fed in Congress was Louis T. McFadden (R-PA), the Chairman of the House Banking and Currency Committee during the Great Depression years. In 1932 he said:

*We have in this country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board... This evil institution has impoverished...the people of the US...and has practically bankrupted our government. It has done this through...the corrupt practices of the moneyed vultures who control it.*

Senator Barry Goldwater was a frequent critic of the Fed:

*Most Americans have no real understanding of the operation of the international money-lenders... The accounts of the Federal Reserve System have never been audited. It operates outside the control of Congress and...manipulates the credit of the United States.*

What one has to understand is that from the day the Constitution was adopted, right up to today, the folks who profit from privately owned central banks like the

Fed, or, as President Madison called them, “the Money Changers”, have fought a running battle for control over who gets to issue America's money. Why is who issues the money so important? Think of money as just another commodity.

If you have a monopoly on a commodity that everyone needs, everyone wants and nobody has enough of, there are lots of ways to make a profit and also exert tremendous political influence. That's what this battle is all about.

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Throughout the history of the United States, the money power has gone back and forth between Congress and some sort of privately owned central bank. The American people fought off four privately owned central banks before succumbing to the first stage of a fifth privately owned central bank during a time of national weakness: the Civil War.

The founding fathers knew the perils of a privately owned central bank. First of all, they had seen how the privately owned British central bank, the Bank of England, had run up the British national debt to such an extent that Parliament had been forced to place unfair taxes on the American colonies. In fact, Ben Franklin claimed that this was the real cause of the American Revolution.

Most of the founding fathers realised the potential dangers of banking and feared bankers' accumulation of wealth and power. Thomas Jefferson put it this way:

*I sincerely believe that banking institutions are more dangerous to our liberties than standing armies. Already they have risen up a money aristocracy that has set the government at defiance. The issuing power should be taken from the banks and restored to the people to whom it properly belongs.*

Jefferson's succinct statement is in fact the solution to most of our economic problems today.

James Madison, the main author of the Constitution, agreed. It is interesting that he called those behind the central bank scheme 'the Money Changers'. Madison strongly criticised their actions:

*History records that the Money Changers have used every form of abuse, intrigue, deceit and violent means possible to maintain their control over governments by controlling money and its issuance.*

The battle over who gets to issue our money has been the pivotal issue through the history of the United States. Wars have been fought over it. Depressions have been caused to acquire it. And yet, after World War I this battle was rarely mentioned in newspapers or history books.

## Media Complicity

By World War I, the Money Changers with their dominant wealth had seized control most of the US Press.

In a 1912 Senate Privileges and Elections Committee hearing, a letter was introduced to the Committee, written by Representative Joseph Sibley (PA), a Rockefeller agent in Congress, to John D. Archbold, a Standard Oil employee of Rockefeller. It read in part: *An efficient literary bureau is needed, not for a day or a crisis but for permanent healthy control of the Associated Press and kindred avenues. It will cost money but will be cheapest in the end.*

The press is the mass media of America today. Press control and later, electronic media (radio and TV) control were seized in carefully planned steps, yielding the present situation in which all major mass media and the critically important major reporting services, which are the source of most news stories, are controlled by the Money Changers.

A few years ago, three-quarters of the majority shareholders of ABC, CBS, NBC and CNN were banks - such as Chase Manhattan Corp., Citibank, Morgan Guaranty Trust and Bank of America. Ten such corporations controlled 59 magazines (including Time and Newsweek), 58 newspapers (including the *New York Times*, the *Washington Post* and the *Wall Street Journal*), and various motion-picture companies, giving the major Wall Street banks virtually total ownership of the mass media with few exceptions (such as Disney's purchase of ABC).

Only 50 cities in America now have more than one daily paper, and they are often owned by the same group. Only about 25 per cent of the nation's 1,500 daily papers are independently owned. This concentration has been rapidly accelerating in recent years and ownership is nearly monolithic now, reflecting the identical control described above.

Of course, much care is taken to fool the public with the appearance of competition by maintaining different corporate logos, anchorpersons and other trivia, projecting a sense of objectivity that belies the uniform underlying bank ownership and editorial control.

This accounts for the total blackout on news coverage and investigative reporting on banker control of the country. Nevertheless, throughout US history, the battle over who gets the power to issue our money has raged. In fact, it has changed hands back and forth eight times since 1694, in five transition periods which may aptly be described as 'Bank Wars' (or, more precisely, 'Private Central Bank vs American People Wars'), yet this fact has virtually vanished from public view for over three generations behind a smoke screen emitted by Fed cheerleaders in the media.

Until we stop talking about 'deficits' and 'government spending' and start talking about who creates and controls how much money we have, it's just a shell game, a complete and utter deception. It won't matter if we pass an ironclad amendment to the Constitution mandating a balanced budget. Our situation is only going to get worse until we root out the cause at its source.

Our leaders and politicians, those few who are not part of the problem, need to understand what is happening and how, as well as what solutions exist. The government must take back the power to issue our money without debt.

Issuing our own debt-free money is not a radical solution. It's the same solution proposed at different points in US history by men like Benjamin Franklin, Thomas Jefferson, Andrew Jackson, Martin van Buren, Abraham Lincoln, William Jennings Bryan, Henry Ford, Thomas Edison, and numerous congressmen and economists.

Though the Federal Reserve is now one of the two most powerful central banks in the world, it was not the first. So where did this idea come from? To really understand the magnitude of the problem, we have to travel across the Atlantic.

### **The Money Changers In Jerusalem**

Just who are these Money Changers to whom James Madison referred? The Bible tells us that Jesus Christ twice drove the Money Changers away from the Temple in Jerusalem. Apart from when the Temple Guards were forced to the ground in the Garden of Gethsemane, these were the only times Jesus used physical violence. What were Money Changers doing in the Temple?

When Jews came to Jerusalem to pay their Temple tax, they could only pay it with a special coin, the half-shekel of the sanctuary. This was a half-ounce of pure silver, about the size of a quarter. It was the only coin around at that time which was pure silver and of assured weight, without the image of a pagan Emperor.

Therefore, to Jews, the half-shekel was the only coin acceptable to God. But these coins were not plentiful. The Money Changers had cornered the market on them; then raised the price - just as with any other monopolised commodity - to whatever the market would bear. In other words, the Money Changers were making exorbitant profits because they held a virtual monopoly on money. The Jews had to pay whatever they demanded. To Jesus, this injustice violated the sanctity of God's house.

### **Money-Changing In The Roman Empire**

But the money-changing scam did not originate in Jesus' day. Two hundred years before Christ, Rome was having trouble with its Money Changers.

Two early Roman emperors had tried to diminish the power of the Money Changers by reforming usury laws and limiting land ownership to 500 acres. Both were assassinated. In 48 BC Julius Caesar took back from the Money Changers the power to coin money and then minted coins for the benefit of all.

With this new, plentiful supply of money, he built great public works. By making money plentiful, Caesar won the love of the common people. But the Money Changers hated him. Some believe this was an important factor in Caesar's assassination.

One thing is for sure: with the death of Caesar came the demise of plentiful money in Rome. Taxes increased, as did corruption.

Eventually the Roman money supply was reduced by 90 per cent.

As a result, the common people lost their lands and homes - just as has happened and will happen again in America to the few who still own their own land and homes.

## The Goldsmiths Of Mediaeval England

The Chinese were the first to use paper money, known as 'flying money' (a kind of banker's draft), in AD 618-907. In about AD 1000, private Chinese merchants in Sichuan province issued paper money known as jiao zi. Due to fraud, the right to issue paper money was taken over in 1024 by the Song dynasty, which then issued the first government paper money.

About that same time, Money Changers - those who exchange, create and manipulate the quantity of money - were active in mediaeval England. In fact, they were so active that, acting together, they could manipulate the English economy.

These were not bankers per se. The Money Changers generally were the goldsmiths. They were the first bankers because they started keeping other people's gold for safekeeping in their safe rooms, or vaults. The first 'paper' money in Western Europe was merely a receipt for gold left with the goldsmiths, made from rag paper. As the ditty goes:

*Rags make paper; paper makes money; money makes banks; banks make loans; loans make beggars; beggars make rags.*

Paper money caught on because it was more convenient and safer to carry than a lot of heavy gold and silver coins. As a convenience, to avoid unnecessary trips to the goldsmiths, depositors began endorsing these gold deposit receipts to others, by their signature.

Over time, to simplify the process, the receipts were made out to the bearer, rather than to the individual depositor, making them readily transferable without the need for a signature. This however, broke the tie to any identifiable deposit of gold.

Eventually, goldsmiths noticed that only a small fraction of the depositors or bearers ever came in and demanded their gold at any one time. Goldsmiths started cheating on the system. They began by secretly lending out some of the gold that had been entrusted to them for safekeeping, and keeping the interest earned on this lending.

Then the goldsmiths discovered that they could print more money (i.e., paper gold-deposit certificates) than they had gold,

and usually no one would be any wiser. Next, they discovered they could lend out this extra paper money and collect interest on it.

This was the birth of 'fractional reserve lending' - that is, lending out more money than you have reserves on deposit. Obviously it was fraud, often specifically outlawed once understood.

The goldsmiths began with relatively modest cheating, lending out in gold deposit certificates only two or three times the amount of gold than they actually had in their safe rooms. But they soon grew more confident and greedy, lending out four, five and even ten times more gold certificates than they had gold on deposit.

So, for example, if \$1,000 in gold were deposited with them, they could lend out about \$10,000 in paper money and charge interest on it, and no one would discover the deception. By this means, goldsmiths gradually accumulated more and more wealth and used this wealth to accumulate more and more gold.

It was abuse of trust - a fraud - which after being accepted as standard practice, evolved into modern deposit banking. It is still fraud, coupled with an unjust and unreasonable delegation of a sovereign, government function to private banks.

Today, this practice of lending out more money than there are reserves is known as 'fractional reserve banking'. In other words, banks have on hand only a small fraction of the reserves needed to honour their obligations. Should all their accountholders come in and demand cash, the banks would run out even before three per cent had been paid. That is why banks always are in dreadful fear of 'bank runs' this is the fundamental cause of inherent instability in banking, stock markets and national economies.

The banks in the United States are allowed to lend out at least ten times more money than they actually have. That's why they do so well on charging, let's say, 8 per cent interest. But its not really 8 per cent per year, which is their interest income on money, the government issues: it's 80 per cent.

That's why bank buildings are always the largest in town. Every bank is, *de facto*, a private mint (over 10,000 in the US), issuing money as loans, for nothing, at no cost to them except whatever interest they pay depositors.

Rather than issue more gold certificates than they have gold, modern bankers simply make more loans than they have currency cash! They do this by making book entries, creating loans to borrowers out of thin air (or, rather, ink).

To give a modern example, a \$10,000 bond purchase by the Fed market results in a \$10,000 deposit to the bond-sellers account. Under a 10 per cent (i.e., fractional) reserve, the bank need keep only \$1,000 in reserve and may lend out \$9,000. This \$9,000 is ordinarily deposited by the borrower in either the same bank or in other banks, which then must keep 10 per cent (\$900) in reserve but may lend out the other \$8,100.

This \$8,100 is in turn deposited in banks which must keep 10 per cent (\$810) in reserve but then may lend out \$7,290, and so on. Carried to the theoretical limits, the initial \$10,000 created by the Fed is deposited in numerous banks in the banking system, giving rise (in roughly 20 repeated stages) to an expansion of \$90,000 in new loans in addition to the \$10,000 in reserves.

In other words, the banking system, collectively, multiplies the \$10,000 created by the Fed by a factor of ten. However, less than one per cent of the banks create over 75 per cent of this money. In other words, a handful of the largest Wall Street banks create money as loans, literally by the hundred billion, charging interest on these loans and leaving crumbs for the rest of the banks to create.

But because those crumbs represent billions, too, the lesser bankers rarely grumble. Rather, with rare exceptions they too, support this corrupt system.

In actual practice, due to numerous exceptions to the 10 per cent reserve requirement the banking system multiplies the Fed's money creation by several magnitudes over ten times (e.g., the Fed requires only three per cent reserves on deposits under approximately \$50 million, and no reserves on Eurodollars and non-personal time deposits).

To return to the goldsmiths ... They also discovered that extra profits could be made by 'rowing' the economy between easy money and tight money.

When they made money easier to borrow, then the amount of money in circulation expanded. Money was plentiful, and people took out more loans to expand their businesses. But then the goldsmiths would tighten the money supply and make loans more difficult to obtain.

What would happen? Just what happens today, a certain percentage of people could not repay their previous loans and could not take out new loans to repay the old ones; therefore they went bankrupt and had to sell their assets to the goldsmiths or at auction for 'pennies on the dollar'.

The same thing is still going on today, only now we call this up-and-down rowing of the economy the 'business cycle', or more recently in the stock markets, 'corrections'.

Another 19th century French commentator put it this way: *There is but one power in Europe, and that is Rothschild.*

There is no evidence that the Rothschild's predominant standing in European or world finance has changed. To the contrary, as their wealth has increased, they have simply increased their 'passion for anonymity'. Their vast holdings rarely bear their name.

Author Frederic Morton wrote that the Rothschilds had: *...conquered the world more thoroughly, more cunningly, and much more lastingly than all the Caesars before ...*

### **The Battle of Waterloo, 1815**

This episode aptly demonstrates the cunning of the Rothschild family in gaining control of the British stock market after Waterloo.

In 1815, a year after the end of the War of 1812, Napoleon escaped his exile and resumed to Paris. French troops were sent out to capture him, but such was his charisma that the soldiers rallied around their old leader and hailed him as their Emperor once again. Napoleon returned to Paris a hero. King Louis fled into exile and Napoleon again ascended the French throne - this time without a shot being fired.

In March Napoleon equipped an army which Britain's Duke of Wellington defeated less than 90 days later at Waterloo. He borrowed five million pounds from the Ouvard banking house in

Paris in order to rearm. Nevertheless, from about this point on, it was not unusual for privately controlled central banks to finance both sides in a war.

Why would a central bank finance opposing sides in a war?

Because war is the biggest debt-generator of them all. A nation will borrow any amount for victory. The ultimate loser is lent just enough to hold out the vain hope of victory, and the ultimate winner is given enough to win.

Besides, such loans are usually conditional upon the guarantee that the victor will honour the debts of the vanquished. Only the bankers cannot lose.

The site of the Waterloo battlefield is about 320 kilometers northeast of Paris, in what today is Belgium. There Napoleon suffered his final defeat, but not before thousands of Frenchmen and Englishmen gave their lives on a steamy summer day in June 1815. On that day, 18th of June, 74,000 French troops met 67,000 troops from Britain and other European nations. The outcome was certainly in doubt. In fact, had Napoleon attacked a few hours earlier, he would probably have won the battle.

But no matter who won or lost, back in London Nathan Rothschild planned to use the opportunity to try to seize control over the British stock-and bond market. The following account is hotly disputed by the Rothschilds.

Rothschild stationed a trusted agent, a man named Rothworth, on the north side of the battlefield, closer to the English Channel. Once the battle had been decided, Rothworth took off for the Channel. He delivered the news to Nathan Rothschild a full 24 hours before Wellington's own courier.

Rothschild hurried to the stock market and took up his usual position in front of an ancient pillar. All eyes were on him. The Rothschilds had a legendary communication network. If Wellington had been defeated and Napoleon was loose on the Continent again, Britain's financial situation would become grave indeed. Rothschild looked saddened. He stood there motionless, eyes downcast. Then, suddenly, he began selling.

Other nervous investors saw that Rothschild was selling. It could

only mean one thing: Napoleon must have won; Wellington must have been defeated. The market plummeted. Soon, everyone was selling their consols - their British government bonds and other shares - and prices dropped. Then Rothschild and his financial allies started secretly buying through agents.

Myths, legends, you say? One hundred years later, the *New York Times*, ran a story, which said that Nathan Rothschild's grandson had attempted to secure a court order to suppress a book containing this stock market story. The Rothschild family claimed the story was untrue and libelous, but the court denied the Rothschilds' request and ordered the family to pay all court costs.

What's even more interesting about this story is that some authors claim that the day after the Battle of Waterloo, in a matter of hours, Nathan Rothschild and allied financial interests came to dominate not only the bond market but the Bank of England as well. (An interesting feature of some consols was that they were convertible to Bank of England stock.)

Intermarriage with the Montefiores, Cohens and Goldsmiths - banking families established in England in the century before the Rothschilds - enhanced the Rothschilds' financial control. This control was further consolidated through the passage of Peel's Bank Charter Act of 1844.

Whether or not the Rothschild family and their financial allies seized outright control of the Bank of England (the first privately owned central bank in a major European nation, and the wealthiest) in this manner, one thing is certain: by the mid-1800s, the Rothschilds were the richest family in the world, bar none.

They dominated the new government bond markets and branched into other banks and industrial concerns worldwide. They also dominated a constellation of secondary, lesser families, such as the Warburgs and Schiffs, who allied their own vast wealth with that of the Rothschilds. In fact, the rest of the 19th century was known as the "Age of Rothschild". One author, Ignatius Balla, estimated their personal wealth in 1913 at over two billion dollars.

Keep in mind, the purchasing power of the dollar was over 1,000 per cent greater then than now. Despite this overwhelming wealth,

the family has generally cultivated an aura of invisibility.

By the end of the 19th century, one expert estimated that the Rothschild family controlled half the wealth of the world.

Whatever the extent of their vast wealth, it is reasonable to assume that their percentage of the world's wealth has increased dramatically since then, as power begets power and the appetite there for.

But since the turn of the century, the Rothschilds have carefully cultivated the notion that their power has somehow waned, even as their wealth and that of their financial allies increases and hence their control of banks, debt-captive corporations, the media, politicians and nations, all through surrogates, agents, nominees and interlocking directorates, obscuring their role.

### **Economic History, Capitalism and Communism**

The philosopher, social scientist, historian and revolutionary, Karl Marx, is probably the most influential socialist thinker to emerge in the 19th century. Although he was largely ignored by scholars in his own lifetime, his social, economic and political ideas gained rapid acceptance in the socialist movement after his death in 1883.

The original ideas of Marx have often been modified and his meanings adapted to a great variety of political circumstances. The fact that Marx delayed publication of many of his writings means that only recently have scholars had the opportunity to appreciate Marx's intellectual stature.

This particular quote from Marx in his book, *Das Kapital* written in 1867, has incredible foresight and piquancy:

*Owners of capital will stimulate the working class to buy more and more of expensive goods, houses and technology, pushing them to take more and more expensive credits, until their debt becomes unbearable. The unpaid debt will lead to bankruptcy of banks, which will have to be nationalised, and the State will have to take the road which will eventually lead to communism.*