

**(11) 'By the early 20th century, the US had already implemented and removed a few central banking systems, which were maneuvered into place by the ruthless banking interests.'**

[1] There were two central banking systems implemented after the US Constitution was created- before the Federal Reserve was created. The First Bank of the United States & The 2nd Bank of the United States. The essential reason these banks were created was because of the limitations imposed by the Constitution when it comes to money creation.

The Constitution, Article I, Section 8 and 10 states:

"Congress shall have the power- to borrow money...coin money, regulate the value thereof... and fix the standard of weight and measures:...[and] to provide for the punishment of counterfeiting...No state shall... coin money: emit bills of credit ; [or] make anything but gold and silver coin a tender in payments of debts." <sup>1</sup>

So- the Constitution makes it very clear that money must be "coined" - not "printed". For clarification on this, let's refer to Thomas Cooley's " Principles of Constitutional Law. It explains that "To coin money is to stamp pieces of metal for use as a medium of exchange in commerce..." <sup>2</sup> The Constitution prohibited "emitting bills of credit." <sup>3</sup> In other words, the printing of money not backed by gold or silver was prohibited. In fact, for those that have semantic issues with these terms, the wording of this Section of the Constitution can be traced to the original Articles of Confederation which further clarifies the meaning:

"The United States in Congress assembled shall also have the sole and exclusive right and power of regulating the alloy and value of coin struck by their own authority, or by that of the respective States — fixing the standards of weights and measures throughout the United States" <sup>4</sup>

So, Congress could not just "print" money- it had to be coined. *However, the Constitution does say Congress could borrow it.* So what they did was simply sanction a US Central Bank, giving the bank the power to create paper money, and thus lend that money to the government. In turn, they made sure the fiat IOUs were legally accepted as money by the public. This was essentially done to bypass the Constitutional restrictions. Alexander Hamilton submitted the proposal in 1790 and was deeply opposed by Thomas Jefferson, then Secretary of State. Jefferson also personally pointed out that the Constitution did not grant to Congress the power to create a bank or anything of the sort on many occasions. Jefferson also stated:" A private central bank issuing the public currency is a greater menace to the liberties of the people than a standing army. <sup>5</sup> Regardless, after a year of debate between Hamilton and Jefferson, Hamilton prevailed in 1791 and the 1st bank of the United States had a charter.

While some positives are noted for the First Bank of the United States, such as the taming of the "wildcat" banks by refusing to accept notes from a bank without a good reputation, weeding out the more corrupt ones, it also caused tremendous inflation through the employed fractional reserve lending process. In the first 5 years, 42% of peoples savings were "confiscated" through the hidden tax known as "inflation" (currency devaluation). In 1811, the charter was not renewed after much debate.

In a letter to John Adams in 1814, Thomas Jefferson made his position very clear once again:

"I have ever been the enemy of banks, not of those discounting for cash, but of those foisting their own paper into circulation, and thus banishing our cash. My zeal against those institutions was so warm and open at the establishment of the Bank of the United States, that I was derided as a maniac by the tribe of bank-mongers, who were seeking to filch from the public their swindling and barren gains..." <sup>6</sup>

[2] The Second Bank of the United States:

In 1816, a 20 year charter was given to the Second Bank of The United States as an attempt to recover from the War of 1812. This bank was essentially the same as the first in function- it was authorized to create money for the federal government and to regulate state banks. Now, if the intent of the central bank was for monetary "stability", as is often claimed, you certainly could not defend the problems that occurred after this new bank was put in place. The Panic of 1819 was a massive bust which injured a great amount of the population. Debates rage as to it's cause, but one thing we do know is that it happened on the watch of this new institution which was supposed to derail such things.

Andrew Jackson was elected in 1828 and was extremely outspoken against the central bank. At this time, the bank was under the control of Nicholas Biddle. Jackson and Biddle soon became powerful foes and when Jackson was up for re-election in 1832, Biddle requested Congress to grant an early renewal of the central bank's charter, likely thinking Jackson would go along with it in order to secure his election. It didn't work. Jackson instead put his entire political career on the line and vetoed the measure.

1 [http://www.usconstitution.net/xconst\\_A1Sec8.html](http://www.usconstitution.net/xconst_A1Sec8.html) | [http://www.usconstitution.net/xconst\\_A1Sec10.html](http://www.usconstitution.net/xconst_A1Sec10.html)

2 <http://www.constitution.org/cmt/tmc/pcl.htm>

3 [http://www.usconstitution.net/xconst\\_A1Sec10.html](http://www.usconstitution.net/xconst_A1Sec10.html)

4 <http://www.usconstitution.net/articles.html>

5 The comparison between private banks and standing armies can be found in many of Jefferson's letters. For example, see "The Writings" of Thomas Jefferson, New York: Putnam & Sons 1899, Vol X p. 31

6 Lester J. Cappon, ed., The Adams-Jefferson Letters, New York: Simon and Schuster, 1971, Vol II, p 424

He stated publicly:

"Gentlemen, I have had men watching you for a long time and I am convinced that you have used the funds of the bank to speculate in the breadstuffs of the country. When you won, you divided the profits amongst you, and when you lost, you charged it to the bank. You tell me that if I take the deposits from the bank and annul its charter, I shall ruin ten thousand families. That may be true, gentlemen, but that is your sin! Should I let you go on, you will ruin fifty thousand families, and that would be my sin! You are a den of vipers and thieves." <sup>1</sup>

Jackson, succeeding to shut down the bank, also paid off the national debt - which was the last time in American history this has been done. <sup>2</sup>

To summarize:

The interest of Congress to have a central bank was to bypass restrictions on fiat currency production as noted by the US Constitution. They wanted to spend more money - so they colluded with financiers and decided to sanction a bank where they could simply borrow it. This is why after each new bank's creation, inflation increased dramatically. While we could debate stability, the number of booms and busts that have occurred since these banks were put in operation, including the Federal Reserve, should be enough to bring that into question, as will be discussed later in this Guide.

**(11) At this time, the dominate families in the banking and business world were the Rockefellers, the Morgans, the Warburgs, the Rothschilds.**

The statement essentially references the "Money Trust", or large banking powers, which Congressman Charles Lindbergh often referred. He wrote at length about the "Money Trust" in works such as: "Banking and Currency and the Money Trust", 1913 <sup>3</sup>

**(12) And in they early 1900's they sought to push once again legislation to create another central bank. However, they knew the Government and public were very weary of such an institution. [a] So they needed to create an incident to affect public opinion. So J.P. Morgan, publicly considered a financial luminary at the time, exploited his mass influence by reportedly creating rumors that prominent banks in New York were insolvent or bankrupt. [b] Morgan new this would trigger mass hysteria and a systemic crisis. And it did.**

[a] The notion that the Government and Public "**were very weary of such an institution**" can be accessed based, in part, on the controversial public tone set after Andrew Jackson shut down the prior Central Bank.

More specifically, it is important to point out that the "Federal Reserve Act" was a later variation on the "Aldrich Plan." Testifying before the Committee on Rules, December 15, 1911, after the Aldrich Plan had been introduced in Congress, Congressman Charles A. Lindbergh Sr. made his view of this Central Bank plan clear, explaining the public influence, while also alluding to the 1907 Panic as well as a political tool:

"Our financial system is a false one and a huge burden on the people... I have alleged that there is a 'Money Trust'. The Aldrich plan is a scheme plainly in the interest of the Trust...Why does the Money Trust press so hard for the Aldrich Plan now, before the people know what the Money Trust has been doing?"

"The Aldrich Plan is the Wall Street Plan. It is a broad challenge to the Government by the champion of the Money Trust. It means another panic, if necessary, to intimidate the people. Aldrich, paid by the Government to represent the people, proposes a plan for the trusts instead. It was by a very clever move that the National Monetary Commission was created. In 1907, nature responded most beautifully and gave this country the most bountiful crop it had ever had. Other industries were busy too, and from a natural standpoint all the conditions were right for a most prosperous year. Instead, a panic entailed enormous losses upon us. *Wall Street knew the American people were demanding a remedy against the recurrence of such a ridiculously unnatural condition. Most Senators and Representatives fell into the Wall Street trap and passed the Aldrich Vreeland Emergency Currency Bill. But the real purpose was to get a monetary commission which would frame a proposition for amendments to our currency and banking laws which would suit the Money Trust.* The interests are now busy everywhere educating the people in favor of the Aldrich Plan. It is reported that a large sum of money has been raised for this purpose. Wall Street speculation brought on the Panic of 1907. The depositors' funds were loaned to gamblers and anybody the Money Trust wanted to favor. Then when the depositors wanted their money, the banks did not have it. That made the panic." <sup>4</sup>

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1 From the original minutes of the Philadelphia committee of citizens sent to meet with President Jackson, February 1834, according to Stan V. Henkels, *Andrew Jackson and the Bank of the United States*, 1928

2 <http://www.answers.com/topic/andrew-jackson>

3 [http://yamaguchy.net/firms.com/7897401/lindbergh/lindb\\_index.html](http://yamaguchy.net/firms.com/7897401/lindbergh/lindb_index.html)

4 Charles A Lindbergh, Congressional Testimony before the Committee on Rules, December 15, 1911