

## America's "Money Machine"

Reviewing Ellen Brown's "Web of Debt:" Part II

By [Stephen Lendman](#)

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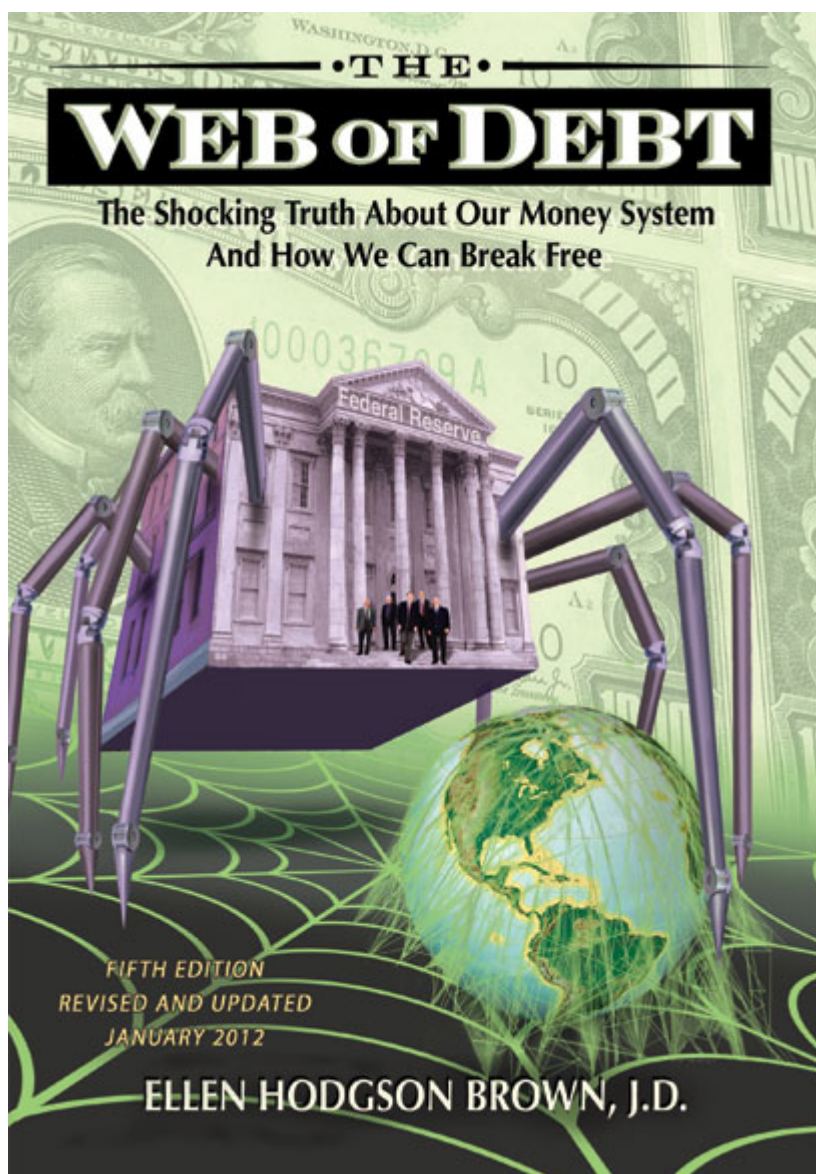
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Region: [USA](#)

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*This is the second of several articles on Ellen Brown's remarkable book titled "Web of Debt....the shocking truth about our money system, (how it) trapped us in debt, and how we can break free." It's a multi-part snapshot. Reading the entire book is strongly recommended - easily obtainable through Amazon or Brown's [www.webofdebt.com](http://www.webofdebt.com) site.*

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## Bankers Capture the Money Machine – Fighting for the Family Farm

In the 1890s, “keeping the family homestead was a key political issue” given that foreclosures and evictions “were occurring in record numbers,” much like today. The “Bankers Manifesto of 1892” spelled it out – a willful plan “to disenfranchise farmers and laborers of their homes and property,” again like today except that now our very freedom and futures are at stake as sinister forces aim to steal them by turning America into Guatemala and lock it down by police state repression.

The panic of 1893 caused an earlier depression – severe enough to establish a precedent of street protests, the result of the first ever march on Washington. Businessman/populist Jacob Coxey led his “Coxey’s Army (of around 500) from Massillon, Ohio (beginning March 25, Easter Sunday) to the nation’s capital to demand jobs and a return to debt and interest-free Greenbacks. Local police intervened. The marchers were disbanded. Coxey was arrested. He spent 20 days in jail for disturbing the peace and violating a local ordinance against walking on the grass. However, he was never charged, then released, and is now remembered for his heroics.

He began a tradition later sparking suffragist marches; unemployed WW I veterans for their “Bonus Bill” money; numerous anti-war and earlier civil rights protests; in 2004, one million in the nation’s capital for women’s rights, and the previous day thousands protesting IMF-World Bank policies.

The late 19th century Populist movement was the last serious challenge to private bankers’ monopoly power over the nation’s money. Journalist William Hope Harvey wrote a popular book titled “Coin’s Financial School” that explained the problem in simple English – that restricting silver coinage was a conspiracy to enrich “London-controlled Eastern financiers at the expense of farmers and debtors.” He called England “a money power that can dictate the money of the world, and thereby create world misery.”

He referred to the “Crime of 73” that limited free silver coinage and replaced it with British gold. It forced America to pay England \$200 million annually in gold in interest on its bonds and inspired William Jennings Bryan’s “Cross of Gold” speech. He nearly became president, but lost in a close (big-money financed) race to William McKinley, but he, too, paid a price. He was later assassinated, likely for his protectionism, very much disadvantaging British bankers. With him gone, the Morgans and Rockefellers dominated US banking, and arranged for friendly leaders to run the country, Teddy Roosevelt included, a man with more bark than bite.

“The trusts and cartels remained the puppeteers with real power, pulling the strings of puppet politicians” who were bought and paid for like today.

### The Secret Government

Various presidents suggested the worst of what’s now clear. By signing the Federal Reserve Act, Woodrow Wilson was a tool of big money. Yet he belatedly expressed regret, said “I have unwittingly ruined my country,” and called America “one of the worst ruled....most completely controlled governments in the civilized world (run by) a small group of dominant men.”

Franklin Roosevelt was as clear in saying “The real truth (is that) a financial element in the

large centers has owned the government since the days of Andrew Jackson.” Other officials said the same thing, and so did Matthew Josephson (in his 1934 book) calling bankers and business titans “Robber Barons” – men who “lived for market conquest, and plotted takeovers like military strategy.”

They sought monopolies for market dominance and trusts – concentrated wealth in a few hands to be manipulated for maximum profits and power. During the Gilded Age, trusts became strong enough to plant “their own agents in the federal commissions, (use) government regulation (for) greater control....protect themselves from competition,” and keep prices high.

Four names (among others) stand out – Andrew Carnegie, John D. Rockefeller, Henry Ford, and JP Morgan running finance with the power of a potentate. “He didn’t build, he bought. He took over other people’s businesses, and he hated competition” so he eliminated it. Together with Rockefeller, they dominated business and finance through interlocking directorates, the same way as today throughout industry, commerce and finance.

For his part, Morgan was so dominant, financial writer John Moody called him “the greatest financial power in the history of the world” even before the establishment of the Federal Reserve. Morgan died months before its creation, but his influence made it possible.

His long arm favored the fortunate – with enough funding to monopolize their industries. “But where did (he and other bankers get their money)?” Congressman Wright Patman explained that they created it “out of an empty hat.” They held the ultimate credit card, limitless accounting-entries to buy out competitors, corner raw materials markets, control politicians, and after the birth of public relations, popular opinion the way distinguished author/psychologist and activist Alex Carey explained in his seminal book titled “Taking the Risk out of Democracy:”

“The 20th century has been characterized by three developments of great political importance: The growth of democracy, the growth of corporate power, and the growth of propaganda as a means of protecting corporate power against democracy.” It came into its own during WW I, then grew, became dominant, and remains near-omnipotent today, even with fissures appearing with enough promise to challenge it.

#### The Jekyll Island Affair – Establishing the Federal Reserve

In 1910, seven financial titans met secretly on this privately-owned island off the coast of Georgia and created the Federal Reserve:

- established three years later on December 23, in the middle of the night, by an act of Congress;
- its most outrageous action ever that few legislators, if any, even read or would have understood if they did because the text was so intentionally vague;
- it enfranchised powerful bankers to hold the nation hostage in permanent debt bondage by giving them the right to create money, in violation of Article I, Section 8 of the Constitution that states Congress alone has the power “To coin (create) money (and) regulate the value thereof....”

Woodrow Wilson made it possible, “Morgan’s man in the White House” with an

administration staffed with his cronies. This act was so publicly harmful it had to be shepherded through a carefully arranged Conference Committee, scheduled for between 1:30 – 4:30AM three days before Christmas when many lawmakers had left town and many others were asleep. It was then enacted the next day – one that will live in infamy for the damage it caused.

“The bill was so obscurely worded that no one really understood its provisions.” The nation’s money would be printed by the US Bureau of Engraving and Printing, then issued as a government obligation (or debt) to the private Federal Reserve with interest.

Nominally, Congress and the president appoint Fed governors, but they operate secretly with no government oversight or control. As a privately owned banking cartel, they’re a power unto themselves. The chairman sits at its helm, but he’s a mere tool of the bankers who control him.

The 1913 Federal Reserve Act “was a major coup” for them. The Fed exists to serve them, not the government or public interest. Therein lies its problem and why it must be abolished.

For over a century, powerful international bankers wanted a private central bank giving them “the exclusive right to ‘monetize’ the government’s debt (that is, print their own money and exchange it for government securities or IOUs.)” The entire Act was written in obscure Fedspeak so no one but its creators knew its purpose.

“In plain English, the Federal Reserve Act authorized a private central bank to create money out of nothing, lend it to the government at interest, and control the national money supply, expanding or contracting it at will.” Nothing has been the same since.

Who Owns the Federal Reserve?

Contrary to common belief, it’s a private banking cartel owned by its member banks in each of its 12 Fed districts. “The amount of Federal Reserve stock” each one holds “is proportional to its size.” The New York Fed is most dominant (like a mother bank) owning 53% of the System’s shares because the nation’s largest commercial banks are located there, on Wall Street, of course, with names like JP Morgan Chase, Citigroup, Goldman Sachs, and Morgan Stanley prominent and familiar. Bank of America was founded in California and remains concentrated heavily in Western and Southwestern states, yet operates globally like the others.

The largest banks are financial superpowers with interests in commercial and investment banking, insurance, real estate, home mortgages, credit cards, and virtually all things financial – nationally and globally.

Financial commentator Hans Schicht refers to Wall Street’s “master spider” controlling a powerful inner circle of men, headed by him. Their business is done secretly behind closed doors by what he calls “spider webbing.” It exercises “tight personal management and control, with a minimum of insiders and front-men who themselves have only partial knowledge of the game. They also have “leverage” over mergers, takeovers, chain store holdings where one company holds shares of others, conditions annexed to loans, and so forth.

Further, they make concentrated wealth “invisible. The master spider studiously avoids

close scrutiny by maintaining anonymity, taking a back seat, and appearing to be a philanthropist.”

Post-WW II, the center of power shifted from the House of Rothschild to Wall Street with David Rockefeller Sr. (John D’s grandson) becoming “master spider,” a sort of boss of bosses, much like the underworld but much more deadly and powerful.

All the more so because “the Robber Barons (used) their monopoly over money to buy up the major media, educational institutions,” and other means of communications. They got all this but Morgan wanted more – to “secure the banks’ loans to the government with a reliable source of taxes, (gotten directly from) the incomes of the people. There was just one snag.” The Supreme Court “consistently” declared federal income taxes unconstitutional. So how were they instituted and why are they willingly paid?

### The Federal Income Tax

The Constitution omits any mention of a federal income tax because the Founders “considered the taxation of private income, the ultimate source of productivity, to be economic folly.” They also decided that the States and federal government shouldn’t impose the same tax at the same time. Congress was to have responsibility “for collecting national taxes from the States’ ” tax revenues.

Direct taxes were to be apportioned according to each State’s population. “Income taxes were considered unapportioned direct taxes in violation of this provision of the Constitution.”

Except in times of war, no federal income tax existed until the 16th Amendment was ratified on February 13, 1913 empowering Congress to levy one – unapportioned among the states. Even without one, the economy grew impressively for nearly a century and a half, adequately funded by customs and excise taxes.

For a brief period, Congress enacted an income tax in 1894 when the nation was at peace. On April 8, 1895, in *Pollock v. Farmers’ Loan and Trust Company*, the Supreme Court held that unapportioned income taxes were unconstitutional. “That ruling has never been overturned.” To get around it, Wall Street packaged the 16th Amendment with the Federal Reserve Act, both in 1913. It applied only to annual incomes over \$4000, well above the average level at the time.

The original tax code was simple enough to be covered in 14 pages. It’s now a 17,000 page monster, filled with obscure provisions professionals struggle to understand or even know about. It also has “whole pages devoted to private interests,” including loopholes exempting powerful corporations from paying rightfully owed taxes.

Before WW II, income taxes affected few people. However, from 1939 – 1944, Congress passed various ones, including to fund the war effort, and began letting workers (voluntarily) pay them in installments. Thereafter, “withholding” became mandatory.

“Today the federal income tax has acquired the standing of a legitimate tax enforceable by law, despite longstanding (Supreme Court rulings) strictly limiting its constitutional scope.” Numerous other taxes were also added, including on capital gains, real estate, corporate income, FICA, sales, luxury, and IRS interest and penalties. With all hidden ones included



(dozens in all), up to 40% of an average worker's income goes for taxes.

Enough for some tax protesters to challenge the 16th Amendment's legitimacy on grounds that it was improperly ratified. However, US courts rejected the argument and now it's "beyond review" – even though no tax would be needed if the federal government printed its own money interest-free instead of taking ours to defray banker-imposed charges.

After signing the Federal Reserve Act, Woodrow Wilson called himself "a most unhappy man. I have unwittingly ruined my country." Yet he knew precisely what he did. He was a lawyer, a Ph. D, a historian and political scientist, and former Princeton University president before entering politics.

### Reaping the Whirlwind – The Great Depression

In theory, the Federal Reserve was established to stabilize the economy, smooth out the business cycle, manage a healthy, sustainable growth rate, and maintain stable prices. It failed dismally on all counts – most noticeably in the 1930s after a depression followed the crash. The Fed wasn't the solution. It was the problem.

As in recent years, it kept interest rates low and money plentiful – not money, in fact, but "credit" or "debt," the same problem creating havoc today. In the 1920s, production rose faster than wages, but (again like today) people could borrow on credit. Then as stocks soared in "value," Wall Street promoted buying them on margin (namely, leverage on credit) on the premise that higher prices could repay loans. It turned "investing" into a "speculative pyramid scheme" based on money that didn't exist.

The Fed caused the whole scheme with easy and plentiful money (credit). It assured the inevitable crash, and late in the game Fed officials saw it coming. New York Fed governor, Benjamin Strong, warned wealthy industrialists, politicians, and high foreign officials to sell stocks, then began reducing the money supply and raising bank-loan rates to correct the bubble "naturally." It caused a huge liquidity squeeze. Stock purchases declined. Prices fell. Margins were called causing the crash over three days – so-called Black Thursday (on October 24), Monday and Tuesday.

The subsequent fallout was disastrous. From 1929 – 1933, "the money stock fell by a third, and a third of the nation's banks closed their doors....It was dramatic evidence of the dangers of delegating the power to control the money supply to a single autocratic head of an autonomous agency."

It resulted in a "vicious cyclone of debt....dragging all in its path into hunger, poverty and despair" – the very process repeating today, including insiders being tipped off, selling high, profiting from the collapse at fire sale prices, and letting the public pay for the dirty scheme they had in mind in the first place. Then, like today – shifting huge wealth amounts from "the Great American Middle Class to Big Money."

Instead of shutting the Fed and prosecuting its conspirators, Congress enacted the Federal Deposit Insurance Corporation (FDIC), "ostensibly to prevent" another collapse. It insured deposits up to \$5000 at the time and rescued some banks, but not all. It was for "rich and powerful" ones, the equivalent of prominent names today and considered then like now, "too big to fail" run by officials too important to offend.

Milton Friedman blamed the Great Depression on the contraction of the money supply, but

others disagreed. Chairman Louis McFadden of the House Banking and Currency Committee said it “was not accidental. It was a carefully contrived occurrence....The international bankers sought to bring about a condition of despair here so that they might emerge as rulers of us all.”

The “Bankers Manifesto of 1934” suggested the same thing, and some observers today believe it’s again playing out, this time on a global scale for much greater stakes for both winners and losers.

### Roosevelt, Keynes and the New Deal

Roosevelt addressed the collapse straightaway, starting impressively in his first 100 days with the passage of 15 landmark acts, covering:

- emergency banking;
- Glass-Steagall and the FDIC;
- empowering the Reconstruction Finance Corporation that was toothless under Hoover;
- the Securities Act of 1933, then the Securities Exchange Act of 1934;
- the Home Owners’ Loan Corporation to refinance homes and prevent foreclosures; and
- an alphabet soup of development agencies in charge of constructing national infrastructure and producing jobs for the unemployed.

In all, it was a whirlwind of achievement in a few short months unlike anything before or since – so much in such a short time. This writer’s late April article said:

Despite its flaws and failures, FDR’s New Deal was remarkable in what it accomplished. It helped people, put millions back to work, reinvigorated the national spirit, built or renovated 700,000 miles of roads, 7800 bridges, 45,000 schools, 2500 hospitals, 13,000 parks and playgrounds, 1000 airfields, and various other infrastructure, including much of Chicago’s lakefront where this writer lives. It cut unemployment from 25% in May 1933 to 11% in 1937, then it spiked before early war production revived economic growth and headed it lower.

### Challenging Classical Economic Theory – Keynesianism

Post-WW II, it dominated economic policy, the idea being that deficit spending could propel nations to prosperity unlike the classical economic belief that money supply increases weren’t needed. Its theory was that when the supply contracts, so do prices and wages naturally leaving everything in balance like before.

It didn’t work at a time people wanted jobs, but there were few around. Factories could produce, but there was little demand, and resources were available but unused – for the lack of enough pump priming to reinvigorate a collapsed economy.

Enough, but not too much because as long as bankers print money, added liquidity means more debt and a greater amount to service. In addition, doing it crowds out social services, sacrifices industrial growth, and increases inflation hugely over time. The 5 cent ice cream

cone and candy bars this writer remembers as a boy today cost around \$2.50. If government printed its own money, they might still be a nickel or pretty close.

Congressman Wright Patman suggested it in 1933 by asking: "Why is it necessary to have Government ownership and operation of banks? The Constitution of the United States says that Congress shall coin money and regulate its value," not hand it over to predatory private bankers.

Instead of returning money-creation power to the government, Roosevelt let "moneychangers" keep it under an overhauled Federal Reserve – a still powerful private banker-controlled "citadel, run from the top down (by) a small cartel of appointed banking representatives (operating) behind a curtain of secrecy," more powerful than government itself. Had Roosevelt acted like Jackson and Lincoln, it would have been his greatest achievement.

Even so, in his first few months in office, he got enacted tough reformist legislation, very much impacting bankers. He also "took aim at the trusts and monopolies that had returned in force" in the anything-goes 1920s. By 1929, consolidation left around 200 companies "in control of over half of all American industry."

FDR reversed the trend with new legislation, reviving earlier trust-busting efforts. He also imposed banking regulations as cited above – enough to get him to call financiers "unanimous in their hatred of me, and I welcome their hatred." Lucky for him he survived. Big money plays for keeps, wins more often than it loses, and generally on what matters most.

#### Wright Patman Exposes the Money Machine

A Texas Democrat, he served in Congress from 1929 – 1976 where from 1963 – 1975 he headed the House Banking and Currency Committee until his death. Unlike his counterparts today in the House and Senate, he was called an "economic Populist," one way being for how he exposed Fedspeak to reveal the scheme behind it.

In an August 5, 1964 Committee document titled "A Primer on Money," he concluded:

"The Federal Reserve is a total moneymaking machine. It can issue money or checks. And it never has a problem of making its checks good because it can obtain the \$5 and \$10 bills necessary to cover (them) simply by asking the Treasury Department's Bureau of Engraving to print them."

Although the Fed now returns most interest on its government bonds to the Treasury, of far greater importance is the windfall its member banks get. "The bonds that have been acquired essentially for free become the basis of the Fed's 'reserves' – the phantom money that is advanced many times over by commercial banks in the form of loans."

Virtually all money in circulation comes from the Fed and its member banks, expanded by a factor of about 10 (through fractional reserve lending) for every federal debt dollar monetized. It all "consists of loans on which the banks have been paid interest." This interest, not what the Fed gets, "is the real windfall to the banks."

The limitless money-creation machine is kept hidden "in obscure Fedspeak," even undecipherable to people who think they understand the process. In *The Creature from*



Jekyll Island, Ed Griffin states that:

“modern money is a grand illusion conjured by the magicians of finance and politics. (The Fed’s function) is to turn debt into money. It’s just that simple....if one remembers that the process is not intended to be logical but to confuse and deceive.” It has to be. Would the public ever put up with it if they realized they’d be had – that their tax money was being used to enrich bankers, and Washington made it possible.

“Magical(ly) multiplying reserves is called fractional reserve banking” that seems more like a con or “shell game.” Each dollar deposited “magically” becomes about 10 in the form of loans or computer-generated funds. As explained below, “reserves” are being phased out so the 10 – 1 multiple is actually higher but the principle is the same.

So if \$1 million deposited becomes \$10 million, and \$900,000 can be loaned out (the other \$100,000 required for reserves), “money created out of thin air (at 5% interest) is doubled in about two years.”

The Fed claims it returns 95% of its profits to the Treasury. In fact, it’s only the interest on federal securities held as reserves. Far more important is the windfall afforded banks, the Fed’s owners, that “use the securities as the ‘reserves’ that get multiplied many times over in the form of loans” that generate huge profits for them.

Wright Patman wanted to abolish the Open Market Committee and nationalize the Fed, thus giving Congress control of it as a “truly federal agency” issuing interest-free money.

The Fed is now heading for a zero percent reserve requirement meaning they’ll be “no limit to the number of times deposits can be relent.” There’s effectively no limit now as if banks exhaust their reserves, they can borrow freely from the Fed – today at zero percent interest.

#### Inside the Fed’s Playbook

“Banks don’t have to have the money they lend before they make loans, because the Fed will ‘provide’ the necessary reserves by making them available at the federal funds rate” – today amounting to limitless free money at zero percent interest to be loaned out at higher rates for profit. The “slight of hand” is that the Fed “creates reserves out of thin air.”

Loans then become deposits that banks can freely re-lend many times over – the more deposits, the greater the amount of lending. It’s a process of multiplying the money supply and charging interest for doing it, a very profitable business when working well in a healthy economy.

So, the process works as follows:

- banks “lend money (they) don’t have;”
- loans become deposits on their books;
- when borrowers spend their money, banks raise their reserves back to the required 10% (or less) “by borrowing from the Fed or other sources;” and
- the Fed never runs out of reserves because its “open market operations” create more of them; it simply manufactures whatever amounts it wishes out of thin air, and the public is

none the wiser or that they're being taxed to pay for this shell game.

Reserves don't comprise safe money to pay claimants. They're accounting entries at Federal Reserve banks letting commercial banks "make many times those sums in loans." In plain English, "reserve accounts are a smoke and mirrors accounting trick concealing the fact that banks create the money they lend out of thin air, borrowing any 'reserves' they need from the Fed, which also creates the money out of thin air." What a business, especially given how secretive it is under the protection and auspices of the federal government that sanctions the con.

There's more as well. Besides what they loan out, banks "create their own investment money" to use for their own purposes. Traditionally, commercial banks invested conservatively, but not investment banks. They raise money for their clients through stock issuances and sales. But more important is their "proprietary trading" that involves using their own money to buy or sell stocks, bonds, currencies, commodities, or any other financial instrument or derivative thereof no matter how risky.

Since investment and commercial banks may be one in the same, limitless sums are available through magical money creation and open-ended Fed borrowing, then leveraged multiple times through more borrowing. The game worked "magically" until it no longer did the old way, so alternatives are used.

#### Bear Raids and Short Sales

The 1929 "Crash" happened on three "Black" days but "continued for nearly four years, stoked by speculators who made huge profits not only on the market's ascent but during its plunge to 11% of its peak value.

Called a "bear raid," it targets vulnerable stocks for "take-down" quick profits or corporate takeovers at fire sale prices. When done on a large scale, short selling can impact markets greatly on the downside just like heavy "program buying" can rocket it up. The whole business amounts to blatant manipulation for quick profits.

Short sellers actually do it with borrowed (not owned) stock, then sell it into the market. If it declines (it may also rise, of course), it's re-bought at the lower price, returned to the seller, with short-sellers pocketing the difference as profit. It's not investing. It's gambling with someone else's stock, without permission to borrow it, and as a result harms its owner by driving down the price when it works.

"Short selling is sometimes justified as being necessary to keep a brake on (over-exuberance) that might otherwise drive popular stocks into dangerous 'bubbles.' (However,) Any alleged advantages to a company from the liquidity afforded by short selling (and supposedly keeping markets honest) are offset by the serious harm (this causes) companies targeted for take-down(s) in bear raids." When done with enough force, it can destroy companies if that's the intent.

"Short selling is the modern version of the counterfeiting (that brought) down the Continental in the 1770s." Currencies, bonds, and commodities can be shorted just like stocks - to manipulate them for profit.

Worse still, and illegal, is so-called naked short-selling without first borrowing the security shorted, assuring it can be borrowed, or arranging to borrow it as required by law - the

reason being that it's an even easier way to manipulate stock prices so SEC regulations ban it.

Even so, the idea that markets move randomly is rubbish. So is believing that companies or nations don't target competitors for destruction by attacking their worth through short selling or other manipulative ways.

### Hedge funds and Derivatives

"Hedge funds are private funds that pool the assets of wealthy investors with the aim of making 'absolute returns' – making a profit whether (markets go) up or down" on whatever financial assets they invest in. Leverage is used for maximum profitability, the more of it the greater gain or loss. In futures trading, it's called the margin – placing "many more bets than if they had paid the full price."

Originally, hedge funds were to "hedge (investment) bets....against currency or interest rate fluctuations (but) they quickly became instruments for manipulation and control." At their peak, they controlled over half of daily equity market trading because of their numbers, size, amount of capital, and frequency of their buying or selling.

Derivatives are one of their key tools – essentially making "side bets that some underlying investment will go up or down" to insure against the risk. "All derivatives are variations on futures trading (and like it) is inherently speculation or gambling." Familiar examples include puts and calls – on whether assets will go down or up.

"Over 90% of the derivatives held by banks....are 'over-the-counter' (ones) specially tailored to financial institutions (with) exotic and complex features, not traded on standard exchanges." They're unregulated, hard to trace, and "very hard to understand," quite often impossible. In a 1998 interview, banking columnist John Hoefle called them "the last gasp of a financial bubble." More recently Warren Buffett said they were "financial weapons of mass destruction" even though he owns a sizable amount of them and incurred considerable losses as a result.

Derivatives aren't assets. They're "just bets" on how assets will perform using very little real money. Most is borrowed to make private unreported, unregulated bets that have soared to a "notional value" of around \$370 trillion, according to the Bank for International Settlements as of 2006. Notional value is "the number of units of an asset underlying the contract, multiplied by the spot price of the asset." In other words, "fanciful, dubious or imaginary" assets.

The amount gets so large because when unregulated "gamblers can bet any amount of money they want," and when markets work well for them, the sky's the limit. In mid-2006, the Office of the Controller of the Currency reported that around 97% of US bank-held derivatives were owned by five major US banks, including JP Morgan Chase and Citigroup. In November 2005, Bloomberg reported that the credit derivatives market was "vulnerable to a crisis if one (of their major bank holders) fails to pay on contracts that insure creditors from companies defaulting...." John Hoefle warned we were "on the verge of the biggest financial blowout in centuries, bigger than the Great Depression...."

Since banks can create money out of thin air, how can they go bankrupt? Because under accounting rules, commercial banks have to balance their books so their assets equal

liabilities. “They can create all the money they can find borrowers for, but” if loans default, banks must record a loss.

Just imagine – if the government created money and not banks, economic stability would follow, crises could be avoided or greatly lessened, inflation would be minimal or non-existent, prosperous growth would be long-term, and bank loans would be far less risky than today assuring steady profits but in smaller amounts.

A follow-up article will discuss global debt entrapment.

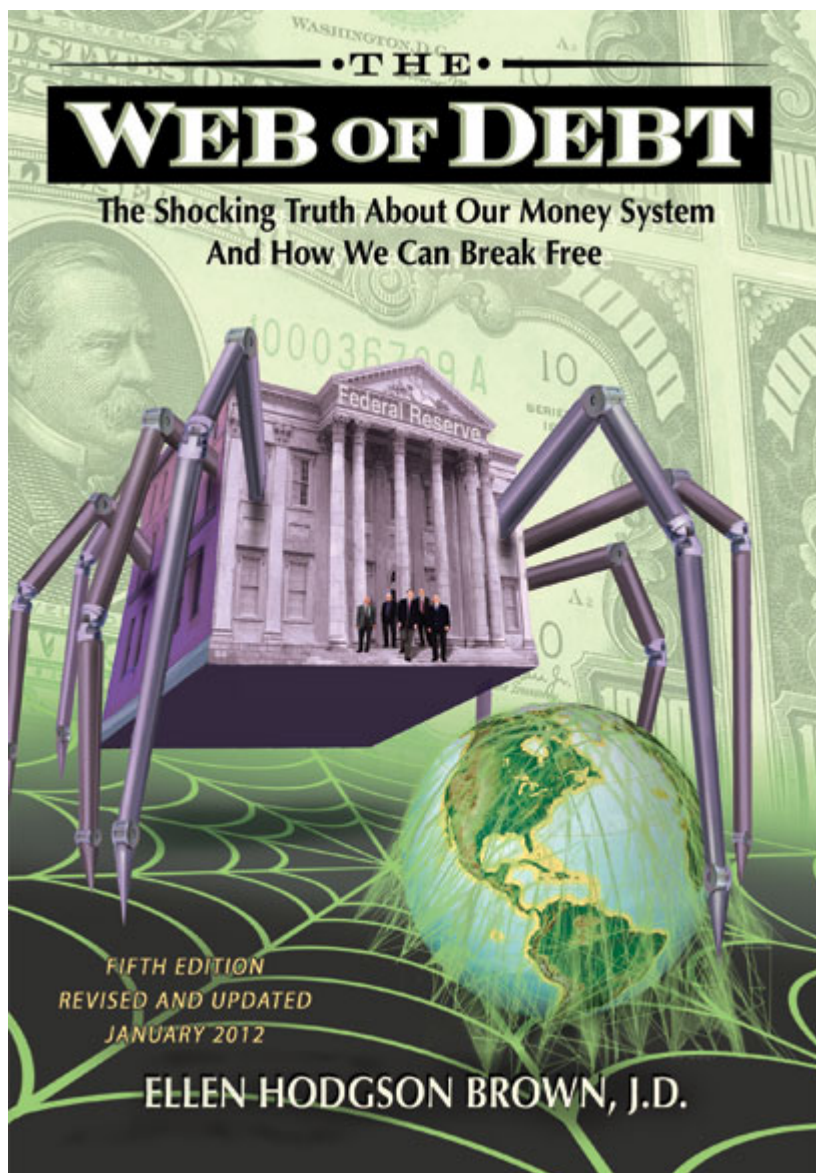
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*Ellen Brown developed her research skills as an attorney practicing civil litigation in Los Angeles. In Web of Debt, her latest book, she turns those skills to an analysis of the Federal Reserve and “the money trust.” She shows how this private cartel has usurped the power to create money from the people themselves, and how we the people can get it back. Her earlier books focused on the pharmaceutical cartel that gets its power from “the money trust.” Her eleven books include Forbidden Medicine, Nature’s Pharmacy (co-authored with Dr. Lynne Walker), and The Key to Ultimate Health (co-authored with Dr. Richard Hansen).*

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