What we have is government controlled by a few giant corporations, and they got their power by acquiring the power to create the national money supply.

- The power to create money in our nation has been usurped by a private international banking cartel, which issues our money as debt and lends it back to us at interest.
- Governments get blamed when things go wrong; but they are actually just pawns of the cartel.
- We the people can get back our government and our republic only by reclaiming the power to create our own money. We can use the same credit system that private banks use, but administered as a public utility, monitored and overseen by public servants.
- To be a sustainable system, profits need to be returned to the community rather than siphoned off into private coffers.
- We have faith in the government "of the people, by the people, and for the people" set out in the Declaration of Independence and described by Abraham Lincoln. But what we have is government controlled by a few giant corporations, and they got their power by acquiring the monopoly on creating the national money supply.
- "Allow me to issue and control a nation's currency," Amschel Mayer Rothschild allegedly said in the 18th century, "and I care not who makes its laws."

That last statement may be apocryphal, but that is how they did it, and that is the power we have to take back if we want a just and trustworthy government that represents people rather than wealthy corporations.

—**Ellen Brown,** attorney, Chairman of the Public Banking Institute and author of *Web of Debt* (www.webofdebt.com)

"The powers of financial capitalism had another far reaching aim, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole."—**Prof. Caroll Quigley,** Georgetown University, and author of *Hope and Tragedy.*

"If Congress has the right under the Constitution to issue currency [paper money], it was given to them to be used by themselves, not to be delegated to individuals or corporations." —**President Andrew Jackson**

"Whoever controls the volume of money in any country is absolute master of all industry and commerce." —**President James A. Garfield**

"All the perplexities, confusion and distress in America arise, not from defects in the Constitution or confederation, not from want of honor or virtue, so much as from downright ignorance of the nature of coin, credit and circulation." —**President John Adams**

"The Federal Reserve bank buys government bonds without one penny..." —**Congressman Wright Patman,** Congressional Record, Sept 30, 1941

"Some people think the Federal Reserve Banks are the United States government's institutions. They are not government institutions.They are private credit monopolies which prey upon the people of the United States for the benefit of themselves and their foreign swindlers." —**Louis T. McFadden,** Chairman of the Committee on Banking and Currency, 1932

PUBLIC BANKING INSTITUTE
Banking in the Public Interest

The Public Banking Institute (PBI) is a non-partisan think-tank, research, and advisory organization dedicated to exploring and disseminating information on the potential utility of publicly-owned banks, and to facilitate their implementation. Through its consolidated corporate business model, the actions of a banking industry, dominated by the "money center" banks of the Federal Reserve, have precipitated the economic imbalances now witnessed across the US economy.

PBI seeks to explore the possibilities for, and to facilitate the implementation of, public banking at all levels - local, regional, state, national, and international. Its approach is informed by the historic role of public banks, in the U.S. and elsewhere, in fostering access to cheap and readily available credit for governments, businesses, and individuals, particularly with respect to creating productive capacity.

www.PublicBankingInstitute.org

"It is well 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, Ford Motor Co.

"Well, we're starting to understand and this is the beginning of the revolution…the banking revolution." —Ellen Brown, Occupy LA Teach-In

What is Money?

1. Money is anything that people will accept in exchange for goods or services, in the belief that they may, in turn, exchange it, now or later, for other goods or services.

Money has taken many forms, including shells, beaver pelts, coins, paper notes, and now accounting entries on a computer. It is an abstract social invention used to facilitate transactions beyond the barter process. Around 340 BC, Aristotle wrote: ***"Money exists not by nature but by law."*** (www.monetary.org)

2. How is money different from wealth? Money should not be confused with wealth. Wealth is the productive combination of resources and labor. Money itself is only a claim to wealth, not wealth itself. Thus, Main St. produces wealth, not Wall St.

Wealth vs Money: Main Street produces wealth, not Wall Street

3. What is legal tender? Legal tender is any form of money which the U.S. Government declares good for payment of taxes and both public and private debts.

4. Who has the right to create money in the United States? Under the Constitution, it is the right and duty of Congress to create money. It is entirely left to Congress.

5. To whom has the Congress delegated this money creating right? Congress has farmed out this power to create money to the banking system composed of the Federal Reserve and commercial banks. Only these two can manufacture money, i.e., currency and demand deposits ("checkbook money") which are instantly available to make purchases and pay bills. None of the other financial institutions has this power to manufacture money.

6. The Federal Reserve is a private bank, established by Congress in 1913 by the Federal Reserve Act, and set up to backstop bank runs (ostensibly to provide stability), serving primarily its private bank owners (and not the public interest).

7. How is money created? In our current system, banks create money, by bookkeeping entry, in the form of bank deposits (checkbook money) when they extend loans. In the process of extending a loan, both a loan (an asset) and a deposit liability are created—that is, no net asset is created. The important thing to remember is that when banks lend money, they don't necessarily take it from anyone else to lend—they "create" it.

8. Our current fiat monetary system is a two-tiered system of "base money" and "bank money," analogous to the goldsmiths' *gold* and *gold notes*. In our two-tiered system, the central bank (Federal Reserve), creates the monetary *base*, by computer keystroke on its books, whenever it buys assets—generally, government securities. Commercial banks expand the money supply through the process of lending—i.e., extending ***bank credit***, or ***bank money***. Banks are given a "special" privilege—their ***bank money*** can be exchanged for cash (*base money)* at par on demand. While banks create ***bank money*** in the process of creating loans, banks must have sufficient reserves of ***base money*** to meet customer demands of cash and check clearing.

Banks <u>create</u> money in the form of bank deposits or "checkbook money" when they extend loans.

9. The money supply, M2, as reported by the Fed, consists of currency in circulation, demand deposits, time deposits, and retail money funds. Except for cash, which is created by the Fed, most of M2 is "bank money" created by commercial banks when they issue loans. The **monetary base**, MB, which is not included in M2, consists of vault cash and deposits held at the Fed.

10. Bank requirements consist of capital and reserve requirements on banks' assets and liabilities, respectively. The Bank of International Settlements (BIS)—the private central banks' central bank—provides the twelve-member Secretariat for the Committee on Banking Supervision, which sets the rules for banking globally, including capital requirements and reserve controls. Founded in Basel, Switzerland, in 1930, the BIS has been called "the most exclusive, secretive, and powerful supranational club in the world." Henry CK Liu writes, "BIS regulations serve only the single purpose of strengthening the international private banking system, even at the peril of national economies."

11. The federal debt. Money is extinguished when a loan is repaid. In order for there to be a net money supply, in our current privatized system, some entity must remain in debt. That role is taken by the federal government. The federal debt is equal to the money supply.

12. The problem of interest and unsustainability. While banks create the principal portion of loans, they do not create the interest. Thus, our current private system is inherently inflationary and Ponzi-like, because new loans must always be issued to create the money to pay the interest on the previous loans. In FY 2011, the interest on the federal debt was 42% of federal individual income tax receipts.

13. Our current privatized monetary system redistributes wealth from the large majority to a small minority via interest. According to Margrit Kennedy, interest now composes 25%-40% of everything we buy (50% for government projects). It is Wall St. and the financial services industry that take this large cut. As Glen Edens, former HP executive, states: *"*…a strong financial services industry is simply not good for society. Wall Street does not improve productivity, the model is parasitic, transferring huge resources out of the system…" If the government owned the banks, the interest would return back to the people, thus providing for a more equitable and sustainable system.

…a strong financial services industry is simply not good for society…the model is parasitic.

14. When the power of creating money is held by private interests, we have a manipulated market, not a free market, rigged in their favor. John Turmel writes: "The real power of banking is being able to refuse to turn on the loans tap for one businessman and foreclose while turning it on for a new loan to another businessman so he can buy out the first businessman at auction."

15. Who should create our money? The creation of money <u>should</u> be the sole prerogative of a sovereign government—issuing money directly, debt-free. Private banks, on the other hand, exchange "bank credit" for debt. Both the private Federal Reserve and commercial banks create "money" in this way. In what Henry Clay called the "American system," paper money was issued by the people themselves through their government. In what he called the "British system," as we have in the US today, paper banknotes were issued by a private central bank and **lent** to the government at **interest**.

16. America has a history of sovereign creation of currency. The American colonists, lacking gold and silver, experimented and thrived with paper currency for 100 years. The best example was in colonial Pennsylvania whose public bank, highly praised by Benjamin Franklin, lent and spent money into the community, solving the interest problem. When the European bankers convinced the King to prohibit the colonists from printing their own money, the ensuing recession was the root cause of the American Revolution. The US has created money multiple times during its existence. The Continental Congress issued paper currency, the Continental, to fund the American Revolutionary War. Lincoln created the Greenbacks to fight the Civil War instead of borrowing from European banks who demanded 36% interest.

17. The public-banking solution consists of a public central bank and a federal system of locally controlled, publicly-owned banks, run by public servants and administered as a public utility, providing transparency and accountability to ***We the People***, and the basis for a free and fair market.

The solution is a federal system of locally controlled, publicly owned banks.

18. The populist program of decentralizing political and economic power continues to hold the greatest promise for ensuring not only political and economic justice, but a sustainable social and natural world." —**Adrian Kuzminski**, *Fixing the System: A History of Populism, Ancient & Modern*