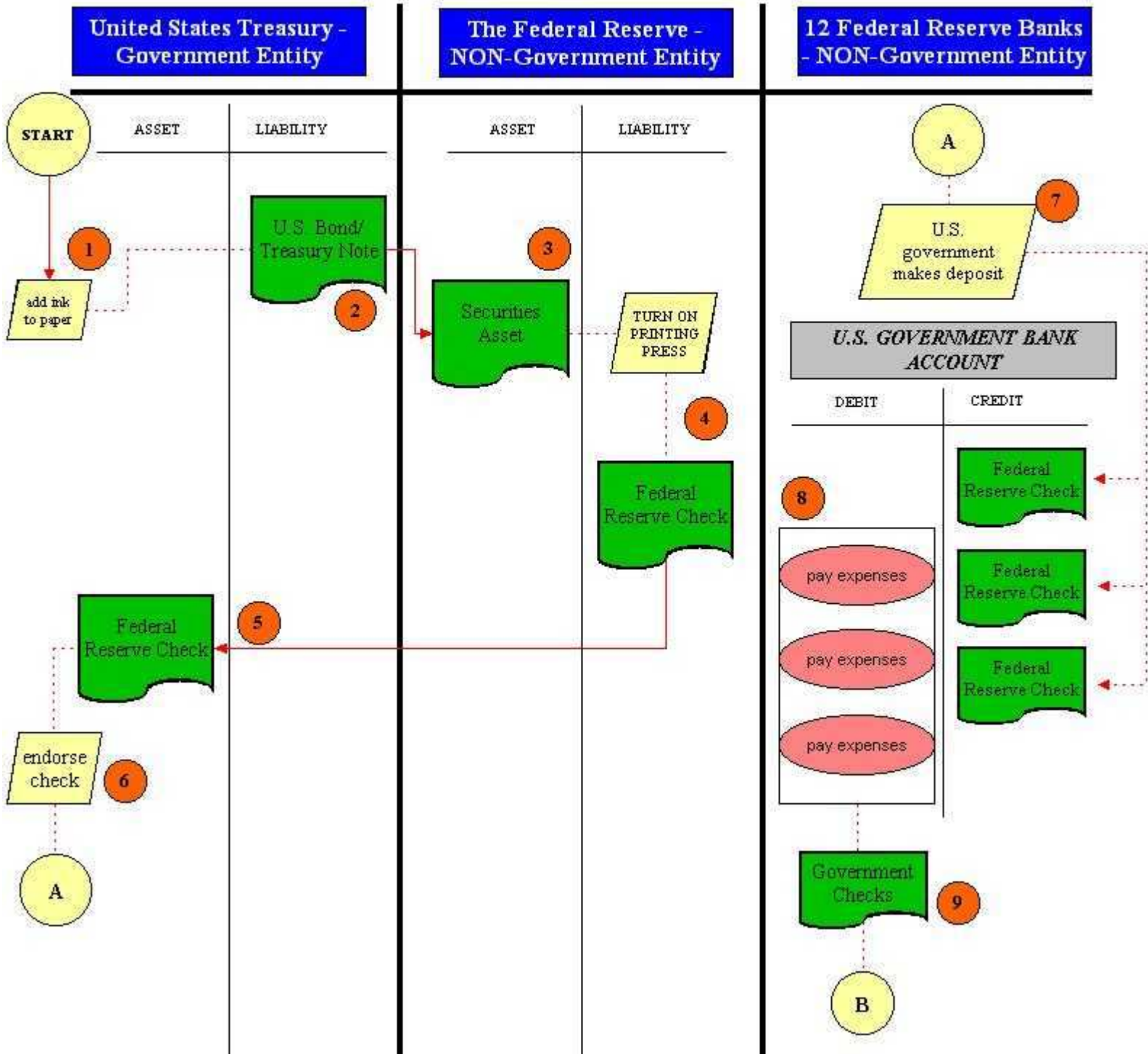


THE FEDERAL RESERVE OPEN MARKET OPERATION

Follow the ARROWS



B

\$\$\$ THE MAJICK OF FRACTIONAL-RESERVE BANKING \$\$\$

The thousands of commercial banks in the United States are required to keep a certain percentage, for example, 10% of their deposits in "reserves". So, if a bank were to receive \$1,000,000 from the initial money created by "The Fed", they must keep a minimum of ONLY \$100,000 on hand as reserves in case customers desire to make a withdrawal. This leaves \$900,000 that is termed "excess reserves".

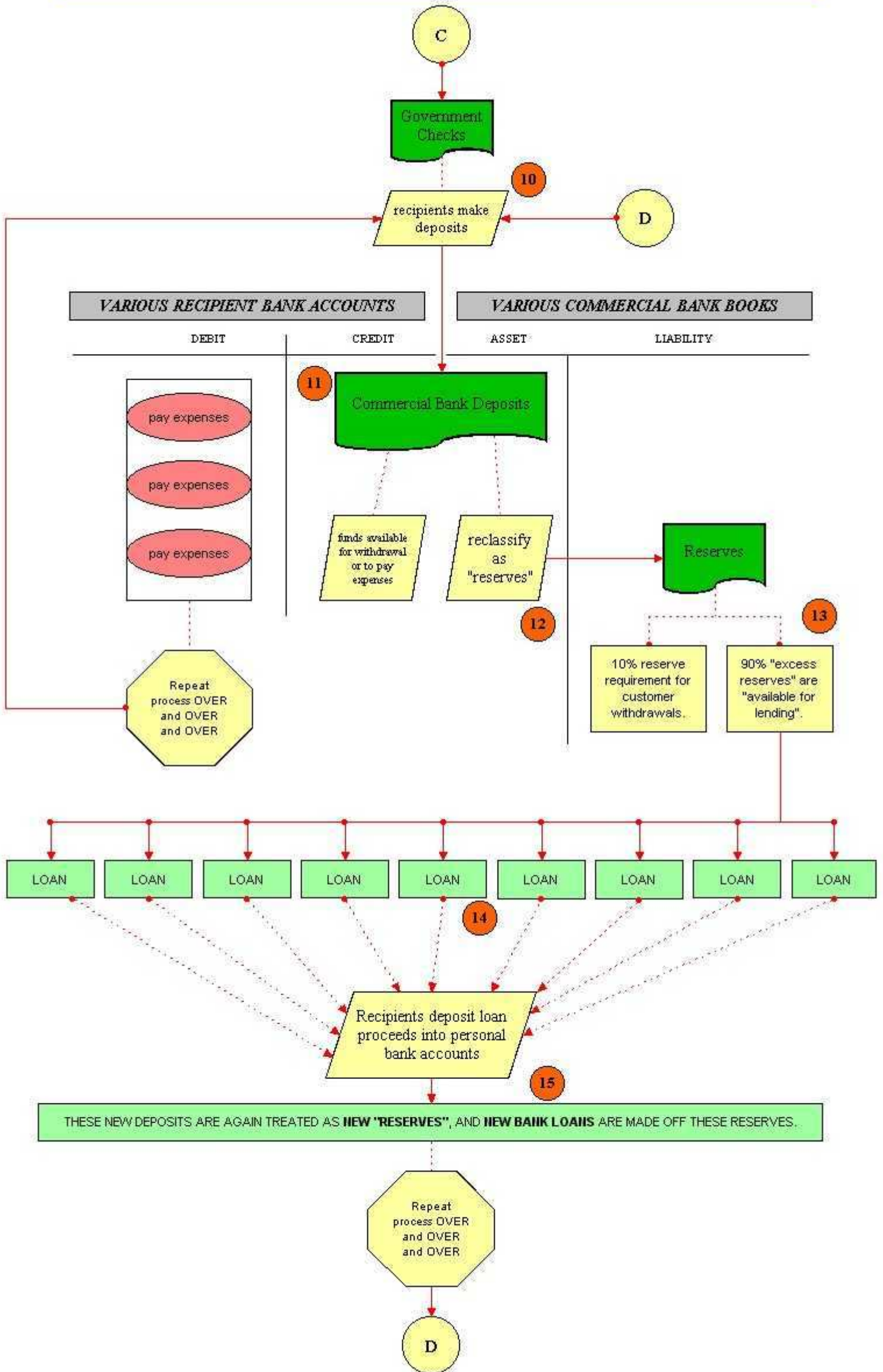
Excess reserves are **THE KEY** for you to understand the fiat currency deception. These excess reserves are considered to be "available for lending". As a result, the excess \$900,000, which are really the property of the person(s) who initially deposited in their account, are converted into "bank loans".

These bank loans are made to you and me, entrepreneurs, businesses - any entity that can convince that particular bank they have the collateral and financial stability to pay back the bank, with interest of course. A loan made to an entity is considered a NEW ASSET to the bank, and the 10% reserve rule applies to these newly deposited funds.

This process repeats over and over and over, with the money supply ever increasing with each check the government receives from the Federal Reserve. Keep in mind that the 10% reserve rule can be changed to 5%, 2% or eliminated altogether, further increasing money supply. Who makes the decision to alter the percentage of reserves required to be held in banks? The Federal Reserve, of course.

C

Commercial Banks Throughout the United States



DEVASTATING RESULTS OF FRACTIONAL-RESERVE BANKING

THE CURRENCY OF THE UNITED STATES IS NOT BACKED BY GOLD OR ANY OTHER "REAL ASSET". THEREFORE, IT IS A FIAT CURRENCY. THE GOVERNMENT MADE IT A LAW THAT THIS FIAT CURRENCY IS "LEGAL TENDER" FOR ALL DEBTS PUBLIC AND PRIVATE.

THE \$20, \$10, \$5 AND \$1 BILLS IN OUR WALLETS ARE NOT MONEY. **THEY ARE DEBT NOTES**. IF YOU WERE TO DEMAND LEGAL MONEY FOR THEM FROM THE UNITED STATES TREASURY, YOU WOULD GET SOME STRANGE LOOKS.

EVERY FIAT CURRENCY THROUGHOUT HISTORY HAS DEVALUED TO THE WORTH OF THE INK AND PAPER ON WHICH IT IS PRINTED, OR THE METAL ON WHICH IT IS COINED.

EXPANSION OF THE MONEY SUPPLY IS ACCOMPLISHED BY THE FEDERAL RESERVE IN THREE WAYS:

1. BY MAKING LOANS TO MEMBER BANKS THROUGH THE "**DISCOUNT WINDOW**"
2. THROUGH THE "**OPEH MARKET**" MECHANISM (DESCRIBED ABOVE)
3. CHANGING THE "**RESERVE RATIO**" THE MEMBER BANKS ARE REQUIRED TO HOLD

AS THE MONEY SUPPLY IS EXPANDED, TWO THINGS RESULT:
1. THE PRICES OF GOODS INCREASE - INFLATION
2. THE VALUE OF THE FIAT CURRENCY DECREASES

INFLATION IS A HIDDEN TAX ON THE POPULOUS AT LARGE, AS THE PRICES GOODS RISE BUT THE QUALITY OF THE GOODS IS NOT SUFFICIENTLY ENHANCED TO JUSTIFY AN INCREASE.

THE LAWS OF SUPPLY AND DEMAND DICTATE THAT WHEN THE SUPPLY OF ANY GOOD (U.S. DOLLARS IN THIS CASE) INCREASES WITHOUT AN EQUAL OR GREATER CORRESPONDING INCREASE IN DEMAND, THE VALUE OF THE GOOD DECREASES.

DECEPTION OF THE FEDERAL RESERVE CENTRAL BANK

THE FEDERAL RESERVE IS NOT A UNITED STATES GOVERNMENT ENTITY. IT AND ITS 12 MEMBER BANKS ARE IN THE UNITED STATES BUT A SEPARATE ENTITY THROUGH CONTRACTUAL

EVERY TIME THE UNITED STATES GOVERNMENT CREATES, OUT OF THIN AIR, A U.S. BOND OR TREASURY NOTE AND GIVES IT TO THE FEDERAL RESERVE, THE UNITED STATES MUST DO TWO THINGS:

1. **PAY BACK THE PRINCIPAL** TO THE FEDERAL RESERVE CENTRAL BANK
2. **PAY INTEREST** ON THE PRINCIPAL DUE TO THE FEDERAL RESERVE CENTRAL BANK

AS OF JUNE 2003, THE PRINCIPAL DEBT OWED TO THE FEDERAL RESERVE IS WELL OVER 7,000,000,000,000. ILL LET YOU CALCULATE THE INTEREST PAID ON THIS DEBT TO THE FEDERAL RESERVE.

HOW DO YOU THINK THE UNITED STATES GOVERNMENT PAYS BACK THIS PRINCIPAL AND INTEREST TO THE FEDERAL RESERVE?

HOW DOES THE GOVERNMENT PAY FOR ANYTHING, FOR THAT MATTER?

DEBT AND TAXES.

DEBT

THE OPEN MARKET MECHANISM ABOVE COVERED THIS. ALL OF OUR CURRENCY IS DEBT TO THE FEDERAL RESERVE. AND ALL THAT DEBT **INCURS INTEREST PAID TO THE FEDERAL RESERVE.**

FOR EXAMPLE, A NEW \$80 BILLION MILITARY CONTRACT IS PASSED THROUGH CONGRESS. THE U.S. GOVERNMENT BORROWS PART OF THE MONEY FROM THE FEDERAL RESERVE. THIS IS DEBT.

TAXES

THE INCOME TAX OF THE UNITED STATES IS NOT ONLY BURDENSOME, UNFAIR AND FRAUDULENT IN ITS ORIGIN, BUT IT ESTABLISHES NO INCOME TAX LIABILITY ON ANYTHING BUT FOREIGN-SOURCE INCOME.

OUR INCOME TAX DOLLARS ARE USED TO **MAKE THE INTEREST PAYMENTS DUE TO THE FEDERAL RESERVE** USING THE PROFITS OF ITS PRIVATE SHAREHOLDERS, NAMELY THE BOYSCHILD'S, ROCKEFELLERS AND WARRINGERS OF THE WORLD.


THE BOTTOM LINE...

SO, WHAT IS WRONG WITH THIS SYSTEM? WHAT IS WRONG WITH INCURRING DEBT IN ORDER TO FOSTER ECONOMIC GROWTH?

THERE IS NO QUESTION THE UNITED STATES HAS EXPERIENCED UNPRECEDENTED GROWTH AND EXPANSION SINCE 1914, THE BIRTH DATE OF THE FEDERAL RESERVE ACT AND THE FEDERAL INCOME TAX. THE PROBLEM WITH THIS SYSTEM, WHICH ARE EVIDENT BY STUDYING THE ABOVE FLOWCHART, ARE AS FOLLOWS:

1. THE ENTIRE SYSTEM IS BASED UPON FRAUDULENT TRANSACTIONS. A MAGIC WAND CREATES MONEY OUT OF THIN AIR. EVER HEARD OF MONEY GROWING ON TREES? WELL, IT DOES AT THE FEDERAL RESERVE AND THE UNITED STATES TREASURY.
2. THE ENTIRE SYSTEM IS **UNCONSTITUTIONAL**. THE CONGRESS OF THE UNITED STATES ALONE HAS THE POWER BY THE CONSTITUTION TO COIN AND PRINT MONEY. GIVING THIS POWER TO **A NON-GOVERNMENT ENTITY, THE FEDERAL RESERVE**, WAS SOMETHING OUR FOUNDING FATHERS WARNED US OF. THE ACT WAS BULLIED THROUGH CONGRESS BY AGENTS OF THOSE STAKEHOLDERS WHO WOULD BENEFIT FROM ITS PASSAGE.
3. INFLATION, A HIDDEN TAX, IS THE END RESULT ON THE END GAME PARTICIPANT IN THE CHARADE - YOU AND ME - DUE TO THE INCREASE OF THE MONEY SUPPLY.
4. OUR INCOME TAX DOLLARS GO DIRECTLY INTO THE POCKETS OF THE PRIVATE SHAREHOLDERS. MEANWHILE, THE INCOME EARNED BY THE FEDERAL RESERVE PRIVATE SHAREHOLDERS IS FUNNELED THROUGH TAX-FREE INSTITUTIONS SUCH AS THE FORD FOUNDATION, AND **THEY DO NOT PAY ANY INCOME TAX**. THIS IS AN OUTRAGE!!
5. THE MONEY IN OUR POCKETS IS DEBT TO THE FEDERAL RESERVE, **NOT MONEY BACKED BY ANY HARD, UNDERGIRDING ASSET, SUCH AS GOLD**. THE UNITED STATES WAS TAKEN OFF THE GOLD STANDARD IN THE 1960'S, AND NOW OUR CURRENCY IS NOT REDEEMABLE INTO ANYTHING OF VALUE. **IT IS SIMPLY PAPER AND INK**.
6. THE HISTORY OF EVERY SINGLE FIAT CURRENCY - ONE NOT BACKED BY A HARD ASSET (USUALLY GOLD) - IS NOT A GOOD HISTORY. 100% OF THE TIME, PAST FIAT CURRENCIES HAVE DEVALUED TO THE PAPER, INK AND METAL ON WHICH AND WITH WHICH THEY WERE CREATED. IT IS NOT ONLY POSSIBLE, NOT ONLY PROBABLE, BUT ALMOST A CERTAINTY THAT **THE UNITED STATES DOLLAR WILL FACE A SIMILAR FATE** UNLESS THE CURRENT SYSTEM OF FRACTIONAL-RESERVE BANKING AND THE CENTRAL BANK IS ABOLISHED.
7. THE BOTTOM LINE? USE YOUR CURRENCY TO PURCHASE AS MUCH GOLD OR OTHER HARD ASSET, SUCH AS SILVER, WHILE IT IS STILL A VIABLE CURRENCY....

NARRATIVE: THE MANDRAKE MECHANISM or THE FEDERAL OPEN MARKET OPERATION

Each numbered point on [the Federal Open Market System flowchart](#), such as , correspond with the numbers in the Narrative below. The phrase "Mandrake Mechanism" for the deception of the Federal Reserve banking system was coined by **G. Edward Griffin** in his landmark book "[The Creature From Jekyll Island: A Second Look at the Federal Reserve](#)". It refers to a comic strip character from the 1940s called Mandrake the Magician, whose specialty was creating things out of nothing, then making them disappear back into nothing.

1. The **federal government** decides it need some money, so it adds ink to a piece of paper and creates designs on the paper.
2. The **federal government** calls the paper a **Treasury Bond** or **Treasury Note**. These are IOU's to **The Federal Reserve** ("the Fed").
3. To convert the IOU's into paper bills, the bond or note is given by the **federal government** to **the Fed** where it is classified as a **Securities Asset**.
4. To the **federal government** (in other words, you and me), the **Treasury Note** is debt. To **the Fed**, the **Treasury Note** is an asset because it is assumed the government will repay its debt. This assumption is based on the government's ability to fleece income tax payers. This **Securities Asset** can now be used to offset a liability, which **the Fed** accomplishes by turning on their printing press, putting ink and designs on another piece of paper, and calling it a **Federal Reserve Check**.
 - o There is NO MONEY in ANY ACCOUNT to cover this **Federal Reserve Check**. The Fed shareholders and governors avoid prison because Congress wants the money and this is the easiest way to create it.
5. The **Federal Reserve Check** is given by **the Fed** to the **federal government**.
6. The **federal government** endorses the **Federal Reserve Check**.
7. The **federal government** deposits the **Federal Reserve Check** into their bank account at one of the **12 Federal Reserve Banks** where it becomes a **Government Deposit**.
8. The **Government Deposit** is used to pay federal government expenses.
9. The federal government expenses are paid to many different **recipients**, such as businesses, entrepreneurs, etc, accomplished by writing **Government Checks**.
10. These **Government Checks** are deposited by the various **recipients** into their individual Commercial Bank accounts.
11. These deposits are called **Commercial Bank Deposits**, and are treated as assets by the thousands of **commercial banks**.
12. The **Commercial Bank Deposits** are reclassified by the **commercial banks** as **Reserves**. These **Reserves** are liabilities offset by the **Commercial Bank Deposits** on their accounting books.

13. Dependent on the "reserve ratio" determined by **the Fed** (for the flowchart, a 10% reserve ratio is used), the **commercial banks** are required to keep only 10% of their **Commercial Bank Deposits** on hand in case of withdrawal by account holders. The other 90% is considered "available for lending".
14. The **Reserves** that are available for lending are termed **Excess Reserves**. They generate a myriad of different **Loans**, which GREATLY EXPAND the money supply.
15. When the **recipients** of the loans deposit the loan proceeds into their bank accounts, the deposits are treated like new **Commercial Bank Deposits**, and the entire process repeats over and over and over again. The total fiat money generated by this mechanism is approximately 10 times the size of the original debt created by the **federal government** due to the 90% excess reserves. This is what the international bankers and economists call the beauty of their operation, but in reality it what our founding fathers warned would be our downfall.

Will we ever get a president and representatives into our government who will realize this, or will we meet our fate as a nation? Only time will tell. . .

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