

# Where Does Money Come From Today?

## *The bankers, legalized forgers*

The following article was written by Louis Even in 1936. The sums given here are those of 1935. For example, the price of gold at \$20 an ounce, the \$750 million borrowing of the federal government. These sums are much bigger in 1987. But to help to understand Louis Even's reasoning, these sums given in 1936 do not need to be changed.

### From Louis Even

How many people have taken the trouble, or even had the idea of asking themselves this question: We are too used to taking things as they are or as we find them. We do not possess an inquisitive mind.

Who stops a moment while walking on the city sidewalk to ask himself where the cement, the asphalt, etc. comes from? We put on the switch and the living room is lighted: where does it matter, as long as the current does not fail too often! And in our complex world of today, who can claim to master all subjects? The very word "to master" is exaggerated. Without this end in mind, the intelligent person seeks to become familiar with various subjects.

Consider the subject that is our concern here, money. We use it all the time, less so ever since its circulation has often been curtailed, but even in face of this capricious flow, is there one person in a hundred who has taken the trouble to trace its trajectory right up to its source? Even less thought is given to this matter because of the general impression that the government creates money. Is not coining and printing a prerogative of the sovereign State! The individuals who wish to coin money do not get far, in spite of their infinite precautions: the State whose rights they usurp is quick in putting them behind bars. Then why this question: where does money come from?

A counter-question will orient us in the right direction: if the State has the exclusive right to create money, why does it always lack money? Why must it limit spending, lay off good public servants, cancel public works of an urgent nature, when neither men nor materials nor machines are lacking?

### The gold standard

Now this is indeed something to reflect on. But, the son of my neighbour who is a brilliant young man in his second year of philosophy class, will remark, money is made of gold and silver if one discounts the vulgar coins of the poor. Even then silver money is subordinated to that of gold; we know, and gold does not grow like couch grass, not even like a melon crop which requires attentive care.

-Very well said, my dear young man, but then if one is unable to dig up gold from the earth which hides it so avariciously, the poor human beings on the surface will die of hunger and of wheat, and of their fields full of wheat, and of their flocks which themselves do not wait for gold before grazing the grass of the meadows; in front of their beautiful forests and their deserted coal mines! Come now! Man's idolatry of the golden calf won't go that far... Nevertheless, one has to admit that it does go a long way.

By the way, my little philosopher, I was reading the other day, in article that quotes from official statistics and gives me the impression of being knowledgeable in these matters, that, all told, we have in Canada (in 1935) only \$78 million in gold, at \$20 an ounce, which would give \$130 million at the new price, and yet there is more than \$2,500 million in deposit in the banks. Is that the gold standard? The amount of gold has not changed noticeably, but the total amount of money experiences noticeable ups and downs, even violent ones like the depression of 1930. The gold standard?

-Yes, but there is money, and there are bank notes, based on gold at least in a certain proportion.

-Certainly, and there is even another kind of money which you have not named that is much more used than the other, which does not depend on you or me, nor on the government, but on a small group of legalized forgers, feared, defended, and protected by those who should be defending and protecting the people, and this is money which is the rub of the entire situation, its manipulation carries a lot of weight; its abundance brings on eras of prosperity which are termed "booms" because they arise suddenly and reach unexplainable heights during normal conditions; its constraint paralyzes people, creates unemployment and poverty while waiting for revolutions.

Is this perhaps exaggerated? Make a little comparison between these years (1935) and those that preceded them. Do we not have the same machines, and even more perfected ones than in 1928 and 1929? The same scientific methods, and even ones more developed since then? The same army of workers, with the same hearts and the same talents, perhaps

even more numerous and more impatient to work? What one remarks is that the circulation of money was reduced by one third in a matter of a few months.

What is this you say, the quantity of money increases and decreases? Certainly. Not so much the quantity of gold, of metallic money, of paper money, but mostly this non-material money, a simple inscription in the ledgers of the banker, who create this money, this "bookkeeping" money which is much more important than the other, as it is used in 95% of all commercial transactions. The Ottawa government has a mint where it coins pieces of metal. According to information given by Member of Parliament Ried by the Honourable Dunning, Minister of Finance, last May 6 (1936), the printing of dollar bills per day; at full capacity, it would be 10,000 bills per day (Hansard of the House of Commons, page 2790). At full capacity and at 300 days a year, this would amount to \$3,000,000 per year, \$18,000,000 in six years, the deposits in the Canadian banks increased, not by \$18 million, but by \$1,400 million. By what magic?

### **A bottle of ink, a pen, and a banker's ledger**

It is very simple. Bookkeeping money does not require any metal, foundry, or punch: all that is needed is a bottle of ink, a pen and a banker's ledger.

At the present moment when the federal government creates with much labour, with a return rate of 50%, its half a million dollars each year, it, the sovereign, borrows \$750 million from the creators of bookkeeping money (Hansard, page 3991).

But there is not even \$400 million in legal money in Canada? Never mind about that, there is still ink in the banker's bottle and these writings are quite profitable to him; at the same time they mortgage the nation and make us slaves of a private banking system. Do not go and suggest that the government, the sovereign State, should instead have this privilege of creating all necessary money, the material or bookkeeping type. The Minister of Finance has himself declared right in the House, "the printing press for money has never made a country richer". It is far better, they would have us believe, to print obligations, chains of servitude towards the bankers and let these themselves create the money.

They are our official and recognized forgers. Ignorant people, bow down and kiss respectfully the gold chains that bind and will bind your children in perpetual slavery.

But what is this bookkeeping money which you focus your attention upon?

An example will explain it. I will borrow it from one of these monthly bulletins published by the banks and in which, ever since a study movement of the money problem is forming and growing among the public, are distilled big doses of chloroform.

A shoe manufacturer wishes to borrow \$50,000. He goes to the bank. His case is studied. This man knows how to run his factory, to maintain and increase his number of customers. His case is good. The bank grants him the loan, of course along with guarantees. Will the banker take \$50,000 from his vault and pass them to the borrower? Not so; he will simply open an account and place at his credit \$50,000. After all, is this not as good as had the banker passed him the sum and then he had deposited it immediately with freedom to withdraw the amounts needed by means of cheques?

### **Absolutely new deposit**

The minute after the banker makes this inscription, there is in Canada \$50,000 more than before. Indeed, no other deposit has been diminished; this is an absolutely new deposit without money coming from any other source. This is the magical wand by which the \$50,000 came about, which did not exist before, and which will be used to pay for the leather, the machines, the employees.

The shoe manufacturer will put this money in circulation, however, he will have to repay it in three, four or six month's time, whatever the arrangements. To repay he will sell his products, and the money taken out of circulation will be given back to the bank: \$50,000 plus the interest. In the same measure that he repays this bookkeeping money, it disappears.

Loans and reimbursements go on every day, at different places and with different customers. If the total amount of loans surpasses the total amount of reimbursements, the quantity of money in circulation increases. If the reimbursements return faster due to a constraint in credits, the quantity of money decreases. This explains why it dropped by a third from 1929 to 1932. Prerogative of the sovereign Only the banks have this privilege, which should be the prerogative of the sovereign, in our case the federal State. Let our shoe manufacturer go to, let us say, Mr. Dubois, a former who has sold his farm. Mr. Dubois will examine his case and exact the same guarantees as the banker, then he will loan him \$50,000. But he will not have created anything. The \$50,000 will henceforth be in the shoe manufacturer's account but subtracted from Mr. Dubois' account.

I know a certain Mr. Logic will tell me that the bank is obliged to answer to all the requests for legal money (material money, metallic or in bills) and therefore these reserves are needed. But, Mr. Logic knows, and knew well before me, that with a reserve of \$10,000, a banker can lend \$100,000, as experience has shown him that requests for legal money amount to less than 10%. The story of the goldsmith who became a banker, which is a true story, explains this elasticity, the creator, controller and master of money.

### **Interest is not created**

One thing to remark in passing that the banker creates the capital he lends but he does not create the interests he demands. Where is one to take it? From the manufacture's profit you will say. Yes, but the money will nevertheless come from one source or another that does not have to power to create it. Bankers do not want shoes or other products as interests but money, money which they alone can create and which they alone can create and which they do not create. Thus the necessity for new loans.

It is the same thing for governments. They borrow from the banks capital created by the latter, and occupy themselves to take it from the public so as to reimburse to the banks, a sum equal to this capital plus the interest. When the public is drained and cannot even serve to pay the interest, the government borrows once again; to repay the previous obligations, they take one more onerous ones, and one wonders why the debt keeps growing!

What must we conclude from this?

*"Those who hold and control money govern credit and determine its allotment, for that reason supplying so to speak, the life-blood to the entire economic body which they hold the life in their hands, so that no one dare breathe against their will" (Pius XI).*

Severe, but how true these words of the Pope! A little further on in the same encyclical "Quadragesimo Anno", can be found this remark which no person will dare contradict:

*"The whole economic life has become hard, cruel and relentless".*

### **The pound of flesh**

These are findings that are painful. The banking system which has led us from crisis to crisis, each one more severe than the preceding one, does not want to desist from its privileges. Yet it is not the one which repairs the ruins. It wants the privileges and rejects the responsibilities. I have never known of a case of the unemployed and those indigent being invite to line up at the wicket counters of the banks. On the contrary, when the treasury of the municipalities, of the provinces, and of the federal government are used up and the people drained out of money can no longer contribute, the representatives of the banks urge to limit spending, to distribute less money to the workers, but never to meddle with the interest rate, to the pound of flesh on which the banker feed himself.

*Louis Even*

### **Clarification**

These criticisms should not be taken as directed against employees of banks: not even against bank managers and inspectors. They are but workers like you and me, from whom is required complex precision, irreproachable integrity, proper dress, constant courtesy, and perfect obedience. It is the system that is at fault, and the bank employees are the first ones to suffer the consequences. This statement does not exonerate such big shots of the type Holt, Gordon, Flavelle and others who call the tunes.

*L.E.*

### **THE GOLDSMITH WHO BECAME A BANKER A true story.**

If you have a little bit of imagination, transport yourself a few centuries back, in a Europe already old but not very progressive yet, having mostly cultivated the art of war and that of persecutions, however being awakened little by little by the narratives of the adventurers and explorers. It was perhaps the epoch when Jacques Cartier was climbing the heights of Mount Royal led by an old chief who wanted to have him admire the magnificent panorama of forests and rivers before which even the soul of a Redskin could not remain unmoved. Or was it rather before Christopher Columbus had steered for the vast unknown to reach the East by sailing towards the West?

In any case at that time money had not much to do with the everyday commercial transactions. Most of these were simple direct exchanges, barter. However, the kings, the lords, the wealthy and the big merchants owned gold and used it to finance the expenses of their armies or to acquire foreign products.

But the wars between the lords or the nations and the robberies made the gold and jewels of the rich liable to fall into the hands of plunderers. Thus gold owners used to entrusting their treasures to the precious material with which they worked, had at their disposal well protected vaults. The goldsmith would receive the gold, give a receipt to the latter's metal in return for a small fee for the service.

Naturally, the owner would withdraw his wealth, all or in part, according to his wishes.

The merchant who would journey from Paris to Marseille, or from Troyes to Amsterdam, could provide himself with gold to make his purchases. But even then there was danger of being attacked during the journey; he seller in Marseille or Amsterdam to accept instead of metal a signed right over the goldsmith in Paris or Troyes. The goldsmith's receipt testified to the reality of the funds.

It also happened that the supplier in Amsterdam or elsewhere, succeeded in having accepted by his own correspondent in London or Genoa, in return for transportation services, the right he had received from his French buyer. In summary, little by little, the merchants ended up by passing among themselves these receipts instead of gold itself, so as not to needlessly change gold from its place, and risk being attacked by the bandits. That is to say, a buyer instead of going to get a gold ingot from the goldsmith to pay his creditor, gave to the latter the goldsmith's receipt which gave him a title to the gold stored in the vault.

The goldsmith's receipts were changing hands instead of gold. As long as there was only a limited amount of sellers and buyers it was not a bad system. It was easy to follow the peregrinations of the receipts.

### **Gold Borrower**

But soon, the goldsmith made a discovery that was to affect humanity much more than the memorable voyage of Christopher Columbus himself. He learned by experience that nearly all the gold confined to his care would remain in storage in his vault. The owners of this gold using his receipts in their commercial transactions, hardly one in ten would come to withdraw any of the precious metal.

The thirst for gain, the desire to become rich faster than by handling jeweler's tools, whetted the man's mind and inspired audacity in him. *"Why not lend the gold?"*, he said to himself. To lend gold, take note, gold that did not belong to him. As he was not upright like Saint Eloy, he hatched and brought to perfection his idea. He even refined it more: *"To lend gold that doesn't belong to me, and with interest, needless to say! Better than that, my dear master (was he speaking to Satan?) - instead of gold, I will lend receipts and exact the interest in gold: this gold will indeed be mine and that of my customers will remain in my vault to back up new loans"*.

He kept the secret of this discovery well hidden, not even mentioning it to his wife who was surprised at seeing him so often rubbing his hands together with glee. The chance to put his plans into action were not long in coming, even though he did not have "La Presse" or "The Star" to advertise them.

One good morning a friend of the goldsmith indeed came to him to ask for a favour. This man was not without goods - a house or a property being cultivated - however he needed gold to effect a transaction. If he could only borrow some, he would repay with a surplus in compensation; if he failed to do this, the goldsmith would seize his property, which was worth much more than the loan.

The goldsmith needed only to be coaxed as a matter of form; he then explained to his friend in a seemingly disinterested way, that it would be dangerous for him to carry with him a large sum of money. *"I will give you a receipt; it is the same as if I loaned you gold which I have in storage in my vault; you will pass the receipt on to your creditor and if he shows up, I will hand him the gold; you will owe me the interest"*.

The creditor did not generally show up. He himself passed on the receipt to someone else. Meanwhile, the gold lender's reputation began to spread. People came to him. Due to other similar loans made by the goldsmith, there were soon many times as many receipts in circulation as of real gold in his vault.

The goldsmith had definitely created a monetary circulation with great profit to himself. He quickly overcame his initial nervousness of fearing a simultaneous demand for gold on the part of a large number of the receipt holders. He could carry on in all security within a certain limit. What a windfall, to lend what he did not have and to draw interest from it - thanks to the trust people had in him and which he took pains to cultivate! He would not take any risks unless he had in reserves and amount sufficient according to his experience to back up the loans. If, on the other hand, a borrower failed to meet his obligations and did not repay on or by the agreed date, the goldsmith would acquire the pledged property. His conscience quickly became deadened and the scruples he had at the beginning no longer bothered him.

### **Creation of credit**

Moreover, he thought it best to change the form and when he made a loan, instead of writing: "*Receipt of Jacques Lesperance ...*" he wrote: "*I promise to pay to the bearer...*" This promise circulated just like gold money. Incredible you will say. Come now, take a look at your bank notes of today. Read the contents therein. Are they so much different and do they not circulate as money?

A fertile fig tree, the private banking system, the creator and master of money, has therefore grown in the goldsmith's vault. His loans, without the gold moving from its place, had become the creations of the banker's credit. The primitive receipts had changed in form, taking the aspect of simple promises to pay on demand. The credits created by the banker were called deposits, which made the public believe that the banker was only lending the depositors' money. These credits would enter circulation by means of negotiable cheques. They replaced both by way of volume and importance the legal money of the king which came to play no more than a secondary role. The banker created 10 times as much paper money as did the State.

### **The goldsmith who became a banker**

The goldsmith who became a banker made another discovery: he noticed that an abundant issuance of receipts (credits) in circulation would stimulate commerce, industry and construction; on the other hand, the restriction and constraint of credits, which he practiced first of all circumstances in which he feared a rush to withdraw gold from his establishment, would paralyze economic life. There seemed to be, in this last case, an overproduction when actually the privations were great; it is because the products would not sell due to lack of purchasing power. The prices would be lowered, bankruptcy would multiply, the borrowers from the bank would be unable to meet their obligations and the lenders would seize the pledged properties.

The banker, very perspicacious and very skillful in making profit, saw his chances, wonderful chances. He could monetize the wealth of others to his own profit: to do this liberally causing a rise in prices, or parsimoniously, causing a lowering of the prices. He therefore could manipulate the wealth of others as he wished, exploiting the buyer in times of inflation and exploiting the seller in times of depression.

### **The banker universal master**

The banker thus became the universal master keeping the whole world at his mercy. Period of prosperity and of depression followed one another. Humanity bowed down before what it took to be inevitable natural cycles.

Meanwhile, the learned and the technicians persisted in conquering the forces of nature and in developing the means of production. The printing press appeared on the scene, education became widespread, cities and better housing developed, foodstuffs multiplied and became more perfected, also clothing and the comforts of life. Man mastered the forces of nature, harnessed steam power and electricity. Transformations and developments everywhere - except in the monetary system.

And the banker enshrouded himself in mystery, maintaining the trust that the captive people had in him, even being so audacious as to have the press, whose finances he controlled, proclaim that the banks had brought the world out of barbarism, had opened and civilized continents. Those learned and the workers were only considered in a secondary role in the march of progress.

To the mass of people, poverty and contempt; to the exploiting financier, wealth and honours! Just like his worthy successor Herbert Holt today is honoured, adulated, "sired"; he won the esteem of the people he was bleeding: "*If I am rich and powerful while you suffer in the grip of poverty and the humiliation of social assistance; if I have succeeded during a full period of depression to clear 150 percent each year, as for you, it is foolishness, and as for me, it is the fruit of a wise administration*".

*Louis Even.*

### **Abraham Lincoln and John F. Kennedy**

#### **Two great presidents of the United States Assassinated for the cause of justice**

*By Melvin Sickler*

Both Abraham Lincoln and John F. Kennedy were assassinated while they held the high office of President of the United States. Both of these former presidents had also created their own money system to run the United States while they were in office. Is this just a coincidence?

Why assassinate a President? Why must everything be kept so covered up? What are they trying to hide from the American people? The facts will speak for themselves.

### **Abraham Lincoln**

During the Civil War (from 1861 - 1865), President Lincoln needed money to finance the War from the North. The Bankers were going to charge him 24% to 36% interest. Lincoln was horrified and went away greatly distressed, for he was a man of principle and would not think of plunging his beloved country into a debt that the country would find impossible to pay back.

Eventually President Lincoln was advised to get Congress to pass a law authorizing the printing of full legal tender Treasury notes to pay for the War effort. Lincoln recognized the great benefits of this issue. At one point he wrote:

*"...(we) gave the people of this Republic the greatest blessing they have ever had - their own paper money to pay their own debts..."*

The Treasury notes were printed with green ink on the back, so the people called them "Greenbacks".

Lincoln printed 400 million dollars worth of Greenbacks (the exact amount being \$449,338,902), money that he delegated to be created, a debt-free and interest free money to finance the War. It served as legal tender for all debts, public and private. He printed it, paid it to the soldiers, to the U.S. Civil Service employees, and bought supplies for war.

Shortly after that happened, "The London Times" printed the following"

"If that mischievous financial policy, which had its origin in the North American Republic, should become indurated down to a fixture, then that Government will furnish its own money without cost. It will pay off debts and be without a debt. It will have all the money necessary to carry on its commerce. It will become prosperous beyond precedent in the history of the civilized governments of the world. The brains and the wealth of all countries will go to North America. That government must be destroyed, or it will destroy every monarchy on the globe".

The Bankers obviously understood. The only thing, I repeat, the only thing that is a threat to their power is sovereign governments printing interest-free and debt-free paper money. They know it would break the power of the international Bankers.

In retaliation After this was published in "The London Times", the British Government, which was controlled by the London and other European Bankers, moved to support the Confederate South, hoping to defeat Lincoln and the Union, and destroy this government which they said had to be destroyed.

They were stopped by two things:

First, Lincoln knew the British people, and he knew that Britain would not support slavery, so he issued the Emancipation Proclamation, which declared that slavery in the United States was abolished. At this point, the London Bankers could not openly support the Confederacy because the British people simply would not stand for their country supporting slavery.

Second, the Czar of Russia sent a portion of the Russian navy to the United States with orders that its admiral would operate under command of Abraham Lincoln. These ships of the Russian navy then became a threat to the ships of the British navy which had intended to break the blockade and help the South.

The North won the War, and the Union was preserved. America remained as one nation.

Of course, the Bankers were not going to give in that easy, for they were determined to put an end to Lincoln's interest-free, debt-free Greenbacks. He was assassinated by an agent of the Bankers shortly after the War ended.

Thereafter, Congress revoked the Greenback Law and enacted, in its place, the National - Banking Act. The national banks were to be privately owned and the national bank notes they issued were to be interest-bearing. The Act also provided that the Greenbacks should be retired from circulation as soon as they came back to the Treasury in payment of taxes.

In 1972, the United States Treasury Department was asked to compute the amount of interest that would have been paid if that 400 million dollars would have been borrowed at interest instead of being issued by Abraham Lincoln. They did

some computations, and a few weeks later, the United States Treasury Department said the United States Government saved 4 billion dollars in interest because Lincoln had created his own money. So you can about imagine how much the Government has paid and how much we owe solely on the basis of interest.

### **The Federal Reserve Act**

There were changes in the money and banking laws for the next fifty years. Finally, in 1913, the Bankers were able to get their Federal Reserve Act passed through Congress which replaced the National Banking Act that had earlier replaced the Greenbacks Law. If the Government would have continued the policy of Abraham Lincoln, the warnings given in "The London Times" would have come to pass. America would be a debt-free nation, the most prosperous in the world. And the brains and the wealth of the world would have come to America.

But with this Federal Reserve Act being passed, Congress gave up its power to create its own money that it was given in the United States Constitution, and gave this power over to private Bankers who called themselves the Federal Reserve. The Bankers had achieved their ultimate goal, for now the United States operated under a central bank that was privately owned. They now had the power to run the country by controlling the creation of the money, and were free to charge the interest they so desired.

As Mayer Amschel Rothschild once said: "Permit me to issue and control the money of a nation, and I care not who makes its laws...".

**John F. Kennedy** No United States president since Abraham Lincoln dared to go against the system and create his own money, as many of these so-called elected presidents were actually only instruments or puppets of the Bankers. That is until President John F. Kennedy came into office.

President Kennedy was not afraid to "buck the system", for he understood how the Federal Reserve System was being used to destroy the United States. As a just and honorable man, he could not tolerate such a system, for it smelled corruption from A to Z.

Certainly he must have known about the Greenbacks which Abraham Lincoln created when he was in office.

On June 4th, 1963, President Kennedy signed a presidential document, called Executive Order 11110, which further amended Executive Order 10289 of September 19th, 1951. This gave Kennedy, as President of the United States, legal clearance to create his own money to run the country, money that would belong to the people, an interest and debt-free money. He had printed United States Notes, completely ignoring the Federal Reserve Notes from the private banks of the Federal Reserve.

Our records show that Kennedy issued \$4,292,893,825 of cash money. It was perfectly obvious that Kennedy was out to undermine the Federal Reserve System of the United States.

But it was only a few months later, in November of 1963, that the world received the shocking news of President Kennedy's assassination. No reason was given, of course, for anyone wanting to commit such an atrocious crime. But for those who knew anything about money and banking, it did not take long to put the pieces of the puzzle together. For surely, President Kennedy must have had it in mind to repeal the Federal Reserve Act of 1913, and return back to the United States Congress the power to create its own money.

It is interesting to note that, only one day after Kennedy's assassination, all the United States notes which Kennedy had issued were called out of circulation. Was this through an executive order of the newly-installed president, Lyndon B. Johnson? Was President Johnson afraid of the Bankers? Or was he one of their instruments? At any rate, all of the money President Kennedy had created was destroyed. And not a word was said to the American people.

**A lesson to learn** There is much that can be learned from our past history. Here we are in 1987, and the United States is still operating under the Federal Reserve System. It has already plunged our country over two trillion dollars into debt, a debt it will never be able to pay, and has been responsible for every kind of corruption imaginable. Yet, barely a peep of protest can be heard from the American people.

All the Bankers have to do to keep their power is to get rid of the few politicians who are honestly working for a reform in our economic system, and the people at large remain ignorant and controlled. It is obvious the American people need to be awakened to the truth.

The population at large must be educated on the Federal Reserve, and then unite together to put pressure on the Government to get the Federal Reserve Act of 1913 repealed. Otherwise, it will spell disaster for the United States.

There can be no peace without justice, and there can be no justice without a reform in our economic system, for the financiers are behind all the corruption in our Government.

Abraham Lincoln and John F. Kennedy both had the courage to stand up for principles and to fight for justice. They have both gone down in history as being true patriots of the United States. But do we, as citizens, have the courage to follow their example? *Melvin Sickler*