

# The Secrets of the Federal Reserve

By [Bob Chapman](#)

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The Federal Reserve Act was legislated in 1913 to end recessions, panics and depression. Over that almost 100-year period they have been eminently no more successful than their predecessors. The Fed is a private corporation, which guides US monetary policy. Its staff is from Wall Street, banking, and transnational conglomerates and occasionally from academia. Of the 12 Federal Reserve banks the New York bank is the most powerful. The staffing of the Fed at the least is incestuous, because the member banks take part in the staffing, as they filter to the Fed what actions they should take. That is done by the FOMC, The Federal Open Market Committee. As a further example the recent stress test done by the Fed was done on many of their owners. Sadly the public is unaware of this and even business majors and those with business masters degrees do not know that the Fed is privately owned or what they actually do. For those of you who would like to get a better understanding read G. Edward Griffith's, "Creature from Jekyll Island" and the secrets of the Federal Reserve" by Eustace Mullins.

Recently we discovered that \$101.4 billion was originally secretly funneled through AIG to AIG counterparties - parties that were owed these sums by AIG, which had not collateralized derivative contracts. That is like writing insurance and having no collateral reserves set aside for losing events. The Federal Reserve in their wisdom paid off AIG's debt with what eventually will be taxpayer debt. This is wrong and it should not have been done secretly. When demanded by a Federal Judge to reveal to whom these monies were paid and under what circumstances, the Fed said it would harm their reputations and it was a "state secret."

The biggest gun in the Fed arsenal is the New York Fed. The recently appointed Secretary of the Treasury Timothy Geithner was the NY Fed's previous governor. Mr. Geithner had worked in government previously and was in part responsible for the Asian financial disaster in 1997-1998. He is also a Goldman Sachs alumnus. He is part of a never-ending exchange of the denizens of Wall Street and banking being appointed to government positions. In fact Wall Street and banking have been running our government for a long time. Many say for too long.

This kind of relationship makes government a tool of major financial interests and it breeds corruption, as we just witnessed in the case of Stephen Friedman, formerly of Goldman Sachs, and until he resigned last week, for having purchased some Goldman Sachs stock, was Chairman of the NY federal Reserve, the position Mr. Geithner had held before him. This raises the fundamental question of appointment and corruption. Never mind the other issues the Fed is involved in. this is America's most powerful financial institution and it is run

by corrupt and perhaps incompetent people. The NY fed has a very special position, because it is actively running markets every day via the 21 dealers it uses to manipulate and uses these markets. This is part of the program never spoken of that exists to assist the "Working Group on Financial Markets, which manipulates markets 24/7, under an Executive Order signed in August 1988 by then President Ronald Reagan. This was executed to protect against market failures such that had taken place the previous October. The order was for emergencies. The Treasury, the Fed, Wall Street and banking have distorted its original intent. The Fed also sets interest rates and regulates the issuance of money and credit. Thus the Fed holds a pivotal role in our financial well-being. They also are to insure the soundness and stability of the banking system. If our banking system breaks down it is the fault of the Fed. When that happens it should not be the province of the Fed to commit trillions of dollars of taxpayer money to bail out its own owners.

You can get an idea of the incestuous nature of the Fed and Wall Street in looking at the select committee that not that long ago picked Timothy Geithner to head the NY Fed. Hank Greenberg defrocked former Chairman of AIG, who for some reason was never criminally prosecuted in the scandal; John Whitehead a former Chairman of Goldman Sachs; Peter Peterson, a former Chairman of Lehman Bros.; and Walter Shipley, a former Chairman of Chase Manhattan, now with JP Morgan Chase. We wonder why the media never questions these kinds of connections all of which are tied together by the Council on Foreign Relations.

Then there is the composition of the NY Fed board on which six board members are public representatives. We do not see any common business people on this board. They are all very wealthy New Yorkers, who are all connected to one another. There have been occasionally members of labor and academia, but they can only be considered tokens. It is very definitely an insiders club.

This means the Fed's real consideration is the maximizing of profits for banking, Wall Street, insurance and real estate. This goal of almost 100 years has made these individuals and their families' mega-rich. Competent or incompetent they always win. They have information and intelligence no one else has and you can be sure their inner circle has the same privileged information. As usual they are essentially unregulated, which gives the Fed an additional advantage. The lack of banking oversight of recent years has brought our entire financial system into insolvency. We do not know how you could call it anything else when most major banks, brokerage houses, some insurance companies and other lenders are simply broke. The Fed, and particularly the NY Fed, has been complicit in banks and brokerage houses using leverage of more than 50 times assets. In some cases such as JP Morgan Chase the figures are much higher. In fractional banking 8 to 10 times is considered appropriate. This is the biggest bailout of poorly managed corrupt banks in history. This failure is far greater than the failure of the Lombard System in Venice in 1348, the year of the great bubonic plague that swept Europe and killed 50% of its inhabitants. These elitists have brought the world economy to its knees. It is ironic, but true to insider dealing, that not one CEO or senior executive has been fired, as trillions of dollars have been lost.

That said this is the perfect segway to bring to your attention a bill calling for the Comptroller General of the US to audit the private Federal Reserve. At last report 124 members of the House have joined Rep. Ron Paul's bill HR 1207, as co-sponsors, to his Federal Reserve Transparency Act of 2009. Both the Fed's Board of Governors and the Federal Reserve Banks would be required to report to Congress before the end of 2010. This could be the most important bill in modern American history and could lead to our financial

and economic recovery. When the Congress sees what the Fed has done they might just abolish it, which is really the solution. As Rep. Paul says, "Congress should reassert its constitutional authority over monetary policy." The Constitution gives Congress, not the private Federal Reserve, "the Authority to coin money and regulate the value of the currency." "The Fed has presided over the near-complete destruction of the US dollar," says Rep. Paul. "Since 1913 the dollar has lost over 95% of its purchasing power, aided and abetted by the Federal Reserve's loose money policy." "How long will we as a Congress stand idly by while hard-working Americans see their savings eaten away by inflation?" Only big-spending politicians and politically favored bankers benefit from inflation," he said. "Since its inception, the Fed has always operated in the shadows, without sufficient scrutiny or oversight of its operations."

The Fed can enter into agreements with foreign central banks and foreign governments, and the GAO's prohibited from auditing or even seeing these agreements. There are no enforcement powers over the Fed. The Fed's funding facilities including the Dealer Credit Facility, Term Securities Lending Facility, and the Term Asset-Backed Securities Lending Facility should be subject to congressional oversight.

Every problem we have had in our economy from the Fed's conception and passage can be directly traced to Federal Reserve policy.

Legislation should be passed to abolish the Fed and that the OMB, the Office of Management and Budget liquidate Fed assets to insure a quick transfer of their functions to the Treasury.

HR 1207 is now in the House Committee of Financial Reserves and has been there for 3 months.

This could be the most important legislation ever submitted due to the financial conditions in America at this time.

In the Senate, Sen. Bernard Sanders (I-VT) has submitted a similar bill, which has been in the Senate Banking, Housing, and Urban Affairs Committee for 2 months.

As Rep. Paul says, "auditing the Fed is only the first step towards exposing this antiquated insider-run creature to the powerful forces of free-market competition. Once there are viable alternatives to the monopolistic fiat dollar, the Federal Reserve will have to become honest and transparent if it wants to remain in business.

Contact everyone in Congress and let him or her know how you feel about this issue as soon as possible.

As Joseph Schumpeter argues that monetary measures do not allow policymakers to eliminate economic depression, only to delay it under penalty of more severity in the future. In a market economy, economic depressions are painful but unavoidably recurring. Counter cyclical monetary measures to provide more money and credit to keep ill-timed investment on a high level in a depression are not creative destruction, but positive destruction, and such measures will ultimately be detrimental to the general welfare. This is what we've been preaching for some time.

Unemployment is a natural extension for stabilizing production and consumption, and its solution cannot be implemented by holding up asset prices in a depressed market economy. Unemployment is usually reduced by deficit-financing and high wages. Today that is not

easy with a \$2 trillion deficit, rising interest rates, monetization and the insane creation of money and credit. Plus, how can you maintain wages, or raise them, with an army of illegal aliens working for next to nothing and offshoring and outsourcing still going at full tilt? Monetarist measures cannot hold up asset prices with today's problems, which are the worst since the early 1870s.

Looking back Herbert Hoover was wrong in starting off the Socialist-Fascist era that began the 1930's Great Depression. Franklin Delano Roosevelt carried out that program and it was a failure. America was saved by war at a terrible price. Andrew Mellon was right in advocating that government must keep its hands off and let the slump liquidate itself. Purge the rottenness out of the system. Mr. Mellon said liquidate labor, stocks, farmers and real estate. No more high living, people will work harder and lead a more moral life. Values will be adjusted, and enterprising people will pick up the wrecks from less competent people.

The economics of monetarism are nothing more than a formula promulgated to save the financial sector and not the country, by using an elitist trickle down theory, which as recent as the 1980s had been proven unworkable. Bail out the rich on Wall Street, the bankers and insurance companies and let the poor and working poor fend for themselves. This is class economics and this is what turns the masses toward socialism. Bankers, who caused the problem, are bailed out by the masses, and the public is left to drown on their own. We are told the bankers and Wall Street must be saved or we'll have no economy. We call this the myth of saving the criminals.

Under a Federal Reserve System the Fed has in private hands unlimited state power to create money and credit backed by the full faith and credit of the American people, which denies those people the rights of sovereignty.

Via the Fed and via Executive Order and the "Working Group on Financial Markets" we allow the Fed and the Treasury to manipulate our markets. Thus our financial elite grow richer and richer, and worse yet even professionals do not know what is going on, never mind the public. The creation of money and credit is effected in such a way that the financial sector is protected and the burden of loss of purchasing power is cast upon American workers. The capitalists do business as usual. Such pursuits have often ended in revolution. The fruits of low wages in America, a result of free trade, globalization, offshoring and outsourcing, have taken their toll. The result is more than two years of recession and now more than three months of depression. The working poor cannot afford to buy what they produce and they cannot pay the debt cast upon them by Wall Street and the banking establishment. There are no free markets. The markets are what these people want them to be. Today they feed their own debt bubble hoping, hope against hope they can bail out the system again.

These miscreants, in what is called a shadow banking system securitized mortgages and other debt by fraud via a corrupt rating system worldwide monetizing their liabilities and buried thousands of professionals worldwide. This unpayable debt, now lost, along with derivatives present problems that are really just beginning to be addressed. All this is done with little transparency in order for these institutions, guided by the Fed, to dump their financial risks.

There you have it. A manmade disaster created by the Federal Reserve, banking and Wall Street, and these are the same corrupt group who our government has chosen to rectify the problem. Their answer is to take the funds from the public to cover their losses, be it by inflation or taxes. The answer is get rid of the Fed and purge the system once and for all.

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