# " Web of Debt": The Inner Workings of the Monetary System

A review of Ellen Brown's book

By Stephen Lendman
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This is the first of several articles on Ellen Brown's superb 2007 book titled "Web of Debt," now updated in a December 2008 third edition. It tells "the shocking truth about our money system, (how it) trapped us in debt, and how we can break free." Given today's global economic crisis, it's an appropriate time to review it and urge readers to digest the entire work, easily gotten through Amazon or Brown's webofdebt.com site. Her book is a remarkable achievement – in its scope, depth, and importance.

In the forward, banker/developer Reed Simpson said:

"I have been a banker for most of my career, and I can report that even most bankers (don't know) what goes on behind (top echelon) closed doors....I am more familiar than most with the issues (Brown covered, and) still found it an eye-opener, a remarkable window into what is really going on....(Although many banks follow high ethical practices), corruption is also rampant, (especially) in the large money center banks, in one of which I worked."

"Credible evidence (reveals) a world (banking) power elite intent on gaining absolute control over the planet and its natural resources, including its subservient human (ones)." Money is their "lifeblood," and "fear (their) weapon." Ill-used, they can "enslave nations and ensure perpetual wars and bondage." Brown exposes the scheme and offers a solution.

Debt Bondage

What president Andrew Jackson called "a hydra-headed monster...." entraps entire nations in debt. Financial commentator Hans Schicht listed how:

— by making concentrated wealth invisible;

— "exercising control through leverage(d) mergers, takeovers" or other holdings "annexed to loans;" and

— using a minimum of insider front-men to exercise "tight personal management and control."

Powerful bankers want to rule the world by creating and controlling money, the very lifeblood of world economies without which commerce would cease. Professor Henry Liu calls the monetary system a "cruel hoax" in that (except for government issued coins) "there is virtually no 'real' money in the system, only debts" – to bankers "for money they created with accounting entries....all done by a sleight of hand," only possible because governments empowered them to do it.

The solution is simple but untaken. As the Constitution mandates, money-creation power must "be returned to the government and the people it represents." Imagine the possibilities:

— the federal debt could be eliminated, at least a more manageable amount before it mushroomed to stratospheric levels;

— federal income taxes could as well; entirely for low and middle income people and at least substantially overall;

— "social programs could be expanded….without sparking runaway inflation;" and

— financial resources would be available to grow the nation economically and produce stable prosperity.

It's not pie-in-the-sky. It happened successfully under Abraham Lincoln and early colonists. More on that below.

Brown's book explains that:

— the Federal Reserve isn't federal; it's a private banking cartel owned by its major bank members in 12 Fed districts;

— except for coins, they "create" money called Federal Reserve notes, in violation of the Constitution under Article I, Section 8 that gives Congress alone the right "To coin (create) money (and) regulate the value thereof….;"

— "tangible currency (coins and paper money comprise) less than 3 percent of the US money supply;" the rest is in computer entries for loans;

— money that banks lend is "new money" that didn't exist before;

— 30% of bank-created money "is invested for their own accounts;"

— banks once made productive loans for industrial development; today they're "a giant betting machine" using countless trillions for high-risk casino-type operations – through devices like derivatives and securitization scams;

— since Andrew Jackson's presidency (1829 – 1837), the federal debt hasn't been paid, only the interest – to private bankers and other owners of US obligations;

— the 16th Amendment authorized Congress to levy an income tax; it was done "to coerce (the public) to pay interest to the banks on the federal debt;"

— the amount has mushroomed to about $500 billion annually and keeps rising;

— creating money doesn't cause inflation; it's "caused by banks expanding the money supply with loans;"

— developing nations' inflation was caused "by global institutional speculators attacking local currencies and devaluing them on international markets;"

— it could happen in America or anywhere else just as easily; and

— escaping this trap is simple if Washington reclaims its money-issuing power; early colonists did it; so did Lincoln.

As long as bankers control our money, we'll remain in a permanent "web of debt" and experience cycles of boom, bust, inflation, deflation, instability and crisis. Yet none of this has to be nor repeated and inevitable bubbles – created by design, not chance, to advantage empowered "moneychangers," much like today with its fallout causing global havoc.

Prior to the Fed's creation, the House of Morgan was dominant in contrast to the early colonists' model. Operating out of Philadelphia, the nation's first capital, it favored state-issued and loaned out money, collecting the interest, and "return(ing) it to the provincial government" in lieu of taxes.

Lincoln used the same system to finance the Civil War, after which he was assassinated and bankers reclaimed their money-issuing power. Wall Street's "silent coup (was) the passage of the (1913) Federal Reserve Act," the most destructive ever congressional legislation, thereafter extracting a huge toll amounting to permanent debt bondage with national wealth transference from the public to private bankers – with most people none the wiser.

From Gold to Federal Reserve Notes

After the 1862 Legal Tender Act was rescinded (the so-called Greenback law letting the government issue its own money), new legislation replaced it empowering bankers by making all money again interest-bearing. Here's the problem. "As long as the money supply (is an interest-bearing) debt owed back to private bankers….the nation's wealth (will) continue to be drained off into private vaults, leaving scarcity in its wake."

Dollars should belong to everyone. Early colonists invented them as "a new form of paper currency backed by the 'full faith and credit' of the people." Today, a private banking cartel issues them by "turning debt into money and demanding" due interest be paid.

Ever since, it's controlled the nation and public by entrapment in permanent debt bondage, and they do it through the Federal Reserve that's neither federal nor has reserves. It doesn't have money. It creates it with electronic entries, any amount at any time for any purpose, the main one being to enrich its owner banks.

This body is a power unto itself, secretive, unaccountable, and independent of congressional oversight or control. It's a money-creating machine by turning debt into money, but only a small fraction of the total money supply. Individual commercial banks create most of it.

A 1960s Chicago Fed booklet (called Modern Money Mechanics) explained how – through "fractional reserve" alchemy. It states:

(Banks) do not really pay out loans from the money they receive as deposits. If they did this, no additional money would be created. What they do when they make loans is to accept promissory notes in exchange for credits to the borrowers' transaction accounts."

Money is created by "building up" deposits in the form of loans. They, in turn, become deposits, not the reverse. "This unique attribute of banking" goes back centuries, the idea being that paper receipts could be issued and loaned out for the same gold (in those days) many times over, so long as enough gold was held in "reserve" so depositors had access to their money. "This sleight of hand (became known) as 'fractional reserve' banking," using money to create multiples more of it.

As for credit market debt, William Hummel (on the web site Money: What It Is, How It Works) explains that banks create only about 20% of it. The rest is by other non-bank financial institutions, including finance companies, pension and mutual funds, insurance companies, and securities dealers. They "recycle pre-existing funds, either by borrowing at a low interest rate and lending at a higher (one) or by pooling (investor) money and lending it to borrowers." In other words, just like banks, "they borrow low and lend high, pocketing the 'spread' as their profit."

But banks do more than borrow. They also "lend the deposits they acquire….by crediting the borrower's account with a new deposit." Banks thus increase total bank deposits that grow the money supply. It amounts to a sleight of hand like "magically pull(ing) money out of an empty hat."

The US "money supply is the federal debt and cannot exist without it. (To) keep money in the system, some major player has to incur substantial debt that never gets paid back; and this role is played by the federal government." It's why the nation's debt can't be repaid under a banker-controlled system. Today's size and debt service compounds the problem, around double the amount Brown cited, growing exponentially to unimaginable levels.

Colonial Paper Money – Another Way Predating the Republic's Birth

In 1691, three years before the Bank of England's creation, Massachusetts became "the first local government to issue its own paper money…." in the form of a "bill of credit bond or IOU….to pay tomorrow on a debt incurred today." This money "was backed by the full 'faith and credit' of the government."

Other colonies then did the same, some as IOUs redeemable in gold or silver or as "legal tender" money to be legally accepted to pay debts. Cotton Mather, a famous New England minister, later redefined money – not as gold or silver, but as a credit: "the credit of the whole country."

Benjamin Franklin so embraced the "new medium of exchange" that he's called "the father of paper money," then called "scrip." It made the colonies independent of British banks and let them "finance their local governments without" taxation. It was done in two ways, and most colonies used both:

— direct issue "bills of credit" or "treasury notes;" essentially government-backed IOUs to be repaid by future taxes, with no interest owed bankers or foreign lenders; "they were just credits issued and sent into the economy on goods and services;" and

— a system of generating "revenue in the form of interest by taking on the lending functions of banks; a government loan office called a 'land bank' (issued) paper money and (loaned) it to residents (usually farmers) at low interest rates….the interest paid….went into the public coffers, funding the government;" it was the preferred way to assure a stable currency rather than by issuing "bills of credit."

Pennsylvania did it best. It's 1723-established loan office showed "it was possible for the government to issue new money (in lieu of) taxes without inflating prices." For over 25 years, it collected none at all. The loan office provided adequate revenue, supplemented by liquor import duties. Throughout the period, prices remained stable.

Prior to this system, Pennsylvania lost "both business and residents (for) lack of available currency." With it, its population grew and commerce prospered. The "secret was in not issuing too much, and in recycling the money back to the government in the form of principal and interest on government-issued loans."

Colony-based British merchants and financiers objected strongly to Parliament. Enough so that in 1751, King George II banned new paper money issuance to force colonists to borrow it from UK bankers. In 1764, Franklin petitioned Parliament to lift the ban. In London, Bank of England directors asked him to explain colonial prosperity at a time Britain experienced rampant unemployment and poverty. It's because Colonial Scrip was issued, he stated, "our own money" with no interest owed to anyone. He added:

"You do not have too many workers, you have too little money in circulation, and that which circulates, all bears the endless burden of unrepayable debt and usury."

With banks loaning money into the economy, more was "owed back in principle and interest than was lent in the original loans (so) there was never enough in circulation to pay interest and still keep workers fully employed." Unlike banks, government can both lend and spend money in circulation – enough to pay "interest due on the money it lent, (keep) the money supply in 'proper proportion' and (prevent) the 'impossible contract' problem (of having) more money owed back on loans than was created (from) the loans themselves."

Franklin's efforts notwithstanding, the Bank of England got Parliament to pass a Currency Act making it illegal for the colonies to issue their own money. It turned prosperity into poverty because the money supply was halved with not enough to pay for goods and services. According to Franklin:

"the poverty caused by the bad influence of the English bankers on the Parliament" got colonists to hate the British enough to spark the Revolutionary War. "The colonies would gladly have borne the little tax on tea and other matters (if) England (hadn't taken their money), which created unemployment and dissatisfaction." So much that outraged people again issued their own money in spite of the ban. As a result, they successfully financed a war against a major power – with almost no hard currency and no taxation. Thomas Paine called it the Revolution's "corner stone."

However, British bankers responded by attacking its "competitor's currency," the Continental, driving down its value by flooding the colonies with counterfeit scrip. It was "battered but remained stable." Where Britain failed, speculators succeeded – "mostly northeastern bankers, stockbrokers and businessmen, who bought up the revolutionary currency at a fraction of its value after convincing people it would be worthless after the war." It had "to compete with states' paper notes and British bankers' gold and silver coins….The problem might have been avoided by making the Continental the sole official currency, but the Continental Congress (didn't have) the power to enforce" such an order – with no courts, police or authority to collect taxes "to redeem the notes or contract the money supply."

Having just rebelled against British taxation, colonists weren't about to let Congress tax them. Speculators took advantage and traded Continentals at discounts enough to make them worthless and give rise to the expression "not worth a Continental."

How the Government Was Persuaded to Borrow Its Own Money

John Adams once said: "there are two ways to conquer and enslave a nation. One is by the sword. The other is by debt." The latter method is stealth enough so people don't know what's happening and submit to their own bondage. Openly, nothing seems changed, yet a whole new system becomes master "in the form of debts and taxes" that people think are for their own good, not tribute to their captors. That's today's America writ large.

After the Revolutionary War, "British bankers and their Wall Street vassals" pulled it off by acquiring a controlling interest in the new United States Bank. It discredited paper scrip through rampant Continental counterfeiting and so disillusioned the Founders that they omitted mentioning paper money in the Constitution. Congress was given power to "coin money (and) regulate the value thereof, (and) to borrow money on the credit of the United States…." It left enough wiggle room for bankers to exploit to their advantage – but only because Congress and the president let them.

Alexander Hamilton bears much blame, the nation's first Treasury Secretary and Tim Geithner of his day (1789 – 1795). He argued that America needed a monetary system independent of foreign control, and that required a federal central bank – to handle war debts and create a standard form of currency. In 1791, it was created, hailed at the time as a "brilliant solution to the nation's economic straits, one that disposed of an oppressive national debt, stabilized the economy, funded the government's budget, and created confidence in the new paper dollars….It got the country up and running, but left the bank largely in private hands" – to be manipulated for private gain, much like today. Worse still, "the government ended up in debt for money it could have generated itself."

Instead, it had to pay interest on its own money in lieu of creating it interest free. Today, Hamilton is acclaimed as a model Treasury Secretary. For Jefferson, he was a "diabolical schemer, a British stooge pursuing a political agenda for his own ends." He modeled the Bank of the United States on the Bank of England against which colonists rebelled. It so angered Jefferson that he told Washington he was a traitor. It fostered a bitter feud between them with Jefferson ultimately prevailing.

Hamilton's Federalist Party disappeared after 1820 while Jefferson and Madison's Democratic-Republicans became the forerunner of today's Democrats after the party split into two factions, the Whigs no longer in existence and Jacksonians that by 1844 officially became the Democratic Party. Shamefully they veered far from Jacksonian and Jeffersonian principles.

For his part, Hamilton wasn't entirely bad. He stabilized the new economy and got the country on its feet. He restored the nation's credit, established a national currency, and made it economically independent. However, his legacy has a dark side – a "privileged class of financial middlemen (henceforth able) to siphon off a perpetual tribute in the form of interest." He delivered money power into private hands, "subservient to an elite class of oligarchical financiers," the same Wall Street types today holding the entire nation hostage – in permanent debt bondage.

## From Abundance to Debt

Charging excessive interest is called “usury,” but originally it meant charging anything for the use of money. The Christian Bible banned it, and the Catholic Church enforced anti-usury laws through the end of the Middle Ages.

Old Testament scripture was more lenient, prohibiting it only between “brothers.” Charging it to foreigners was allowed and encouraged, which is why Jews unfairly were called “moneychangers.” They, like others, suffered greatly from money-lending schemes. For centuries, they were “persecuted for the profiteering of a few,” then scapegoated to divert attention from the real offenders.

Fiat money is legal tender by government decree – a simple tally representing units of value to be traded for goods and services. Paper money was invented in 9th century Mandarin China and successfully used to fund its long and prosperous empire. The same was true in medieval England. The tally system worked well for over five centuries before banker-controlled paper money began demanding payment in the form of interest.

History portrays the Middle Ages as backward, impoverishing, and a form of economic enslavement only the Industrial Revolution changed. In fact, the era was entirely different, characterized by 19th century historian Thorold Rogers as a time when “a labourer could provide all the necessities for his family for a year by working 14 weeks,” leaving nearly nine discretionary months to work for himself, study, fish, travel, or do what he pleased, something today’s overworked, over-stressed, underpaid workers can’t imagine.

Some attribute Middle Age prosperity to the absence of usurious lending. Instead of paying tribute in the form of interest, “people relied largely on interest-free tallies.” They avoided depressions and inflation since the supply and demand for goods and services grew in proportion to each other, thus holding prices stable. “The tally system provided an organic form of money that expanded naturally as trade (did) and contracted (the same way) as taxes were paid.”

No bankers set interest rates or manipulated markets to their advantage. The tally system kept Britain stable and thriving until the mid-17th century, “when Oliver Cromwell (1599 – 1658)....needed money to fund a revolt against the Tudor monarchy.”

## The Moneylenders Take Over England

In the 19th century, the Rothchild banking family’s Nathan Rothchild said it well:

“I care not what puppet (sits on) the throne of England to rule the Empire on which the sun never sets. The man who controls Britain’s money supply controls the British empire, and I (when he ran the Bank of England) control the British money supply.”

Centuries early, moneylender power was absent. But after the 1666 Coinage Act, money-issuing authority, once the sole right of kings, was transferred into private hands. “Bankers now had the power to cause inflations and depressions at will by issuing or withholding their gold coins.”

King William III (1672 – 1702), a Dutch aristocrat, financed his war against France by borrowing 1.2 million pounds in gold in a secret transaction with moneylenders, the arrangement being a permanent loan on which debt would be serviced and its principle never repaid. It came with other strings as well:

— lenders got a charter to establish the Bank of England (in 1694) with monopoly power to issue banknotes as national paper currency;

— it created them out of nothing, with only a fraction of them as reserves;

— loans to the government were to be backed by government IOUs to serve as reserves for creating additional loans to private borrowers; and

— lenders could consolidate the national debt on their government loan to secure payment through people-extracted taxes.

It was a prescription for huge profits and "substantial political leverage. The Bank's charter gave the force of law to the 'fractional reserve' banking scheme that put control of the country's money" in private hands. It let the Bank of England create money out of nothing and charge interest for loans to the government and others – the same practice central banks now employ.

For the next century, banknotes and tallies circulated interchangeably even though they weren't a compatible means of exchange. Banker money expanded when "credit expanded and contracted when loans were canceled or 'called,' producing cycles of 'tight' money and depression alternating with 'easy' money and inflation." In contrast, tallies were permanent, stable, fixed money, making banknotes look bad so they had to go.

For another reason as well – because of King William's disputed throne and fear if he were deposed, moneylenders again might be banned. They used their influence to legalize banknotes as the money of the realm called "funded" debt with tallies referred to as "unfunded," what historians see as the beginning of a "Financial Revolution." In the end, "tallies met the same fate as witches – death by fire."

They were money of the people competing with moneylending bankers. After 1834 monetary reform, "tally sticks went up in flames in a huge bonfire started in a House of Lords stove." Ironically, it got out of control and burned down Westminster Palace and both Houses of Parliament, symbolically ending "an equitable era of trade (by transferring power) from the government to the" central bank.

Henceforth, private bankers kept government in debt, never demanding the return of principle, and profiting by extracting interest, a very lucrative system always paying off "like a slot machine" rigged to benefit its operators. It became the basis for modern central banking, lending its "own notes (printed paper money), which the government swaps for bonds (its promises to pay) and circulates as a national currency."

Government debt is never repaid. It's continually rolled over and serviced, today with no gold in reserve to back it. Though gone, tallies left their mark. The word "stock" comes from the tally stick. Much of the original Bank of England stock was bought with these sticks. In addition, stock issuance began during the Middle Ages as a way to finance businesses when no interest-bearing loans were allowed.

In America, "usury banks fought for control for two centuries before" getting it under the 1913 Federal Reserve Act. An issue that once "defined American politics," today is no longer a topic for debate. It's about time it was reopened.

## Jefferson and Jackson Sound the Alarm

Moneylenders conquered Britain, then aimed to entrap America – by provoking "a series of wars. British financiers funded the opposition to the American War for Independence, the War of 1812, and both sides of the American Civil War." They caused inflation, heavy government debt, the chartering of the Bank of the United States to fund it, thus giving private interests the power to create money.

Jefferson opposed the first US Bank, Jackson the second, and both for similar reasons:

— distrust of profiteers controlling the nation's money; and

— concern about the nation's banking system falling into foreign hands.

Jefferson got Congress to refuse to renew the first US Bank charter in 1811 and learned on liquidation that two-thirds of its owners were foreigners, mostly English and Dutch and none more influential than the Rothschilds. Later, Madison signed a 20-year charter. However, when Congress renewed it, Jackson vetoed it.

## The Powerful Rothschild Family

The House of Rothschild was British in name only. In the mid-18th century, it was founded in Frankfort, Germany by Mayer Amschel Bauer, who changed his name to Rothschild, fathered 10 children, and sent his five sons to open branch banks in major European capitals. Nathan was the most astute and went to London. "Over the course of the nineteenth century, NM Rothschild would become the biggest bank in the world, and the five brothers would come to control most of the foreign-loan business of Europe."

Belatedly, Jefferson caught on to the scheme – that "private debt masquerading as paper money….owed to bankers" placed the nation in bondage. In his words, "deliver(ing) itself bound hand and foot to bold and bankrupt adventurers and bankers…." Jefferson's idea for a national bank was a wholly government-owned one issuing its own credit without having to borrow it from private interests.

Jackson believed the same thing in calling the Bank of the United States "a hydra-headed monster." When the bank charter was renewed, he promptly vetoed it, yet understood that the battle was just beginning. "The hydra of corruption is only scotched, not dead," he said.

He was right. The Bank's second president, Nicolas Biddle, retaliated "by sharply contracting the money supply. Old loans were called in and new ones refused. A financial panic ensued, followed by a deep economic depression." However, Biddle's victory was short-lived. In April 1834, the House rejected re-chartering the Bank, then January 1835 became Jackson's "finest hour."

He did something never done before or since. He paid off the first installment of the national debt, then reduced it to zero and accumulated a surplus. In 1836, the Bank's charter expired. Biddle was arrested and charged with fraud. He was tried and acquitted but spent the rest of his life in litigation over what he'd done. "Jackson had beaten the Bank." Imagine today if Obama defeated the Fed and its Wall Street puppeteers instead of embracing them with limitless riches.

## Lincoln Foils the Bankers and Pays with His Life

Like Jackson, Lincoln faced assassination attempts, before even being inaugurated. “He had to deal with treason, insurrection, and national bankruptcy” during his first days in office. Considering the powerful forces against him, his achievements were all the more remarkable:

— he built the world’s largest army;

— “smashed the British-financed insurrection,”

— took the first steps to abolish slavery; it became official on December 6, 1865 when the 13th Amendment was ratified, eight months after Lincoln was assassinated;

— during and after his tenure, the country became “the greatest industrial giant” in the world;

— “the steel industry was launched; a continental railroad system was created; the Department of Agriculture was established; a new era of farm machinery and cheap tools was promoted;”

— the Land Grant College system established free higher education;

— the Homestead Act gave settlers ownership rights and encouraged new land development;

— government supported all branches of science;

— “standardization and mass production was promoted worldwide;”

— labor productivity increased by 50 – 75%; and

— still more was accomplished “with a Treasury that was completely broke and a Congress that hadn’t been paid” as a result.

It was because the government issued its own money. “National control was reestablished over banking, and the economy was jump-started with a 600 percent increase in government spending and cheap credit directed at production.” Roosevelt did the same thing with borrowed money. Lincoln did it with United States Notes called Greenbacks. They financed the war, paid the troops, spurred the nation’s growth, and did what hasn’t been done since – let the government print its own money, free from banker-controlled debt slavery, the very system strangling us today the way Lincoln feared would happen.

His advisor was Henry Carey, a man historian Vernon Parrington called “our first professional economist.” Lincoln endorsed his prescription:

— “government regulation of banking and credit to deter speculation and encourage economic development;”

— its support for science, public education and national infrastructure development;

— “regulation of privately-held infrastructure to ensure it met the nation’s needs;”

— government-sponsored railroads and “scientific and other aid to small farmers;”

— "taxation and tariffs to protect and promote productive domestic activity;" and

— "rejection of class wars, exploitation and slavery, physical or economic, in favor of a 'Harmony of Interests' between capital and labor."

Leaders like Jefferson, Jackson and Lincoln are sorely missed, but for Lincoln it was costly.

He Loses the Battle with "the Masters of European Finance"

German Chancellor Otto von Bismark (1815 – 1898) called them that in explaining how they engineered the "rupture between the North and the South" to use it to their advantage, then later wrote in 1876:

"The Government and the nation escaped the plots of the foreign bankers. They understood at once that the United States would escape their grip. The death of Lincoln was resolved upon." The last Civil War battle ended on May 13, 1865. Lincoln was assassinated on April 15.

European bankers tried but failed to trap him "with usurious war loans," at 24 – 36% interest had he agreed. Using government-issued Greenbacks shut them out entirely, so they determined to fight back – eliminate the thorn, then get banker-friendly legislation passed, achieved through the National Bank Act reversing the Greenback Law. It was "only a compromise with bankers, (but) buried in the fine print," they got what they wanted.

Although the Controller of the Currency got to issue new national banknotes, it was just a formality. In fact, the new law "authorized the bankers to issue and lend their own paper money." They "deposited" bonds with the Treasury, but owned them so "immediately got their money back in the form of their own banknotes." It was an exclusive franchise to control the nation's money forcing government back into debt bondage where it never had to be in the first place. A whole series of private banks were then chartered, all empowered to create money in lieu of debt free Greenbacks.

One other president confronted bankers and paid dearly as well – James Garfield. In 1881, he charged:

"Whoever controls the volume of money in any country is absolute master of all industry and commerce....And when you realize that the entire system is very easily controlled, one way or another, by a few powerful men at the top, you will not have to be told how periods of inflation and depression originate."

Garfield took office on March 4, 1881. On July 2, he was shot. He survived the next two and half months, then died on September 19. It was a time of depression, mass unemployment, poverty, and starvation with no safety net protections. "The country was facing poverty amidst plenty," because bankers controlled money and kept too little of it in circulation – an avoidable problem if government printed its own.

Gold v. Inflation – Debunking Common Fallacies

The classical "quantity theory of money" holds that "too much money chasing too few goods" causes inflation, excess demand over supply forcing up prices. The counter argument is that if paper money is tied to gold, an inflation-free stable money supply will result. Another fallacy is that adding money (demand) raises prices only if supply remains fixed.

In fact, if new money creates new goods and services, prices stay stable. For thousands of years, the Chinese kept prices of its products low in spite of their money supply being "flooded with the world's gold and silver, and now with the world's dollars….to pay for China's cheap products."

What's important is not what money consists of but who creates it. "Whether the medium of exchange (is) gold or paper or numbers in a ledger," when created by and owed to private lenders with interest, "more money would always be owed back than was created…spiraling the economy into perpetual debt….whether the money takes the form of gold or paper or accounting entries."

Today's popularism is associated with the political left. However, 19th century Populists saw "a darker, more malevolent force….private money power and the corporations it had spawned, which was threatening to take over the government unless the people intervened."

Lincoln also feared it saying:

"I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. Corporations have been enthroned, an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people until the wealth is aggregated in the hands of a few and the Republic is destroyed."

Today's America is the reality he feared. A tiny elite own the vast majority of the nation's wealth in the form of stocks, bonds, real estate, natural resources, business assets and other investments. In contrast, 90% of Americans have little or no net worth. Of all developed nations, concentrated wealth and inequality extremes are greatest here with powerful bankers sitting atop the pyramid, now more than ever with their new riches extracted from public tax dollars and Fed-created money.

A follow-up article will discuss how "bankers capture(d) the money machine."

*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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