The Federal Reserve Abolition Act

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> On June 15, 2007, Ron Paul introduced HR 2755: Federal Reserve Abolition Act. There were no co-sponsors, no further action was taken, and the legislation was referred to the House Committee on Financial Services and effectively pigeonholed and ignored.

It's a bold and needed measure to "abolish the Board of Governors of the Federal Reserve System and the Federal reserve banks, to repeal the Federal Reserve Act, and for other purposes."

The bill provides for management of employees, assets and liabilities of the Board during a dissolution period, and more as follows:

-- it designates the Director of the Office of Management and Budget to liquidate Fed assets in an orderly and expeditious manner;

-- transfer them to the General Fund of the Treasury after satisfying all claims against the Board and any Federal reserve bank;

-- assume all outstanding Board and member bank liabilities and transfer them to the Secretary of the Treasury; and

-- after an 18-month period, submit a report to Congress "containing a detailed description of the actions taken to implement this Act and any actions or issues relating to such implementation that remain uncompleted or unresolved as of the date of the report."

On November 22, "End the Fed" protests were held in 39 or more cities nationwide (including New York, Chicago, Los Angeles and Washington, DC), but you'd hardly know it for lack of coverage. Attendee demands were simple and emphatic:

-- end a private banking cartel's illegal monopoly control over the nation's money supply and price;

-- return that power to the US Treasury as the Constitution mandates;

-- end a fiat currency system backed by the waning full faith and credit of the government; and

-- return the country to a sound, hard currency monetary system.

"End the Fed! Sound Money for America!" is their slogan, and writer and US policy critic Webster Tarpley puts it well:

"....the privately owned central bank....has been looting and wrecking the US economy for almost a hundred years. We must end a system where unelected, unaccountable cliques of bankers and financiers loyal to names like Morgan, Rockefeller, and Mellon set interest rates and money supply behind closed doors, leading to de-industrialization, mass impoverishment, and a world economic and financial depression of incalculable severity."

In theory, the Fed was established to stabilize the economy, smooth out the business cycle, manage a healthy, sustainable growth rate, and maintain stable prices. In fact, it failed dismally. It contributed to 19 US recessions (including the Great Depression) and significantly to the following equity market declines that accompanied them as measured by the Dow or S & P 500 average - the S &P's inception was 1923; it became the S & P 500 in 1957:

-- 40.1% (Dow) from 1916 - 1917;

-- 46.6% (Dow) from 1919 - 1921;

-- the 1929 (Dow) crash in two stages - 47.9% in 1929 followed by a strong, temporary rebound; then - 86%; an 89% peak to trough total from October 1929 to July 1932;

-- 49.1% (Dow) from 1937 - 1938;

-- 40.4% (Dow) from 1939 - 1942;

-- 25.3% (S & P) from 1946 - 1947;

-- 19.8% (S & P) in 1957;

-- 26.8% (S & P) from 1961 - 1962;

-- 19.3% (S & P) in 1966;

-- 32.7% (S & P) from 1968 - 1970;

-- 45.1% (S & P) from 1973 - 1974;

-- 20.2% (S & P) from 1980 - 1982;

-- 32.9% (S & P) in 1987;

-- 19.2% (S & P) in 1990;

-- 18.8% (S & P) in 1998;

-- 49.1% (S & P) from 2000 - 2002; and

-- about 50% (S & P) and counting (excluding a bear market rebound) from October 2007.

The Fed is also directly responsible for monetary inflation and the decline in the US standard of living since its year end 1913 inception and especially since the 1970s. From the late 18th century to 1913, virtually no inflation existed under the gold standard except during times of war. Using government data, it now takes over $2000 to equal $100 of pre-Fed purchasing power. In other words, a 1913 dollar is worth about a nickel today.

At that time, a dollar was defined as 1/20 of an ounce of gold or about an ounce of silver. The Fed then changed the standard away from precious metals to the full faith and credit of the government.

Ever since (except for periods such as the 1930s) inflation eroded the currency's value and (more than ever) continues to do it today.

It's why one analyst calls the dollar "nothing more than a popular symbol for the tangible substances it once represented - gold and silver." Its true value represents the world's waning confidence in America's ability to honor its debt obligations, and with good reason.

Under the Federal Reserve System (besides inflation), we've had rising consumer debt; record budget and trade deficits; a soaring national debt; a high level of personal and business bankruptcies; today, millions of home foreclosures; high unemployment; the loss of the nation's manufacturing base; growing millions in poverty; an unprecedented wealth gap between the rich and all others; and a hugely unstable economy now lurching into crisis mode.

In a November 24 Wall Street Journal op-ed, Hong Kong-based author and equity strategist Christopher Wood believes "The Fed Is Out of Ammunition." With trillions in personal wealth erased, "there is little doubt that we are witnessing a classic debt-deflation bust at work, characterized by falling prices, frozen credit markets and plummeting asset values."

He notes how "over-investment and over-speculation" on borrowed money got us here. Today, the Fed can control the supply of money but not its velocity or the rate it turns over. The current collapse set it in reverse with no signs of an impending turnaround.

Wood believes monetary and fiscal measures won't work. There are no easy solutions - "not as long as politicians and central bankers (won't) let financial institutions fail," and let market forces wash out excesses over time.

The Fed and Treasury will spend trillions of dollars to correct things, "but will merely compound (the problem) by adding debt to debt." The current crisis will end up "discrediting mechanical monetarism - and with it the fiat paper-money system....The catalyst will be foreign creditors fleeing the dollar for gold. That will in turn lead to global recognition of the need for a vastly more disciplined global financial system" with gold very likely playing a part.

Absent a hard money currency has led to the kind of monetary madness that Nouriel Roubini calls "crazy" policy actions - an explosion of quantitative easing in the trillions with no end of it in sight.

Roubini: "The Fed Funds rate has been abandoned...as we are already effectively at (zero interest rates) that signal a liquidity trap....Even (a sharp) fall in mortgage rates....will be of small comfort to debt burdened households as only those (that) qualify for refinancing will be able to" net out a "modest" monthly mortgage saving of about $150.

The Fed's "desperate policy actions....will eventually lead to much higher real interest rates on the public debt and weaken the US dollar (the result of a) tsunami of implicit and explicit public liabilities and monetary debt." It will get foreign investors to "ponder the long-term sustainability of the US domestic and external liabilities," and why not. They keep growing exponentially, and with nothing restraining a runaway Fed, dollar debasing may continue to the point where no one will want to hold them. It's gotten some analysts to recommend moving a portion of savings out of them into gold - the ultimate safe haven in times of crisis.

Abolish the Fed and Return the Nation's Money Creation Power to Congress Where It Belongs

Ron Paul has been in the vanguard of the Abolish the Fed movement, and on September 10, 2002 on the House floor said:

"Since the creation of the Federal Reserve, middle and working-class Americans have been victimized by a boom-and-bust monetary policy. In addition, most Americans have suffered a steadily eroding purchasing power because of the Federal Reserve's inflationary policies. This represents a real, if hidden, tax imposed on the American people...."

"It is time for the Congress to put the interests of the American people ahead of the special interests. Abolishing the Federal Reserve will allow Congress to reassert its constitutional authority over monetary policy."

"Abolishing the Federal Reserve and returning to a constitutional system (as mandated) will enable America to return to the type of monetary system envisioned by our nation's founders: one where the value of money is consistent because it is tied to a commodity such as gold....I urge my colleagues (to co-sponsor) my legislation to abolish the Federal Reserve."

Paul introduced his legislation in the 106th, 107th, 108th, and 110th Congresses. Each time, it died in committee. On November 22, he attended the End the Fed rally in Houston and addressed the crowd.

He called the current economic crisis as bad or worse than in the 1930s and said: "we know who caused it. It was the Federal Reserve that gave us all this trouble." He explained that we had a "free ride for decades because we've had a system that was devised where the dollar could act as if it were gold."

Not after August 1971 when Nixon closed the gold window, ended the 1944 Bretton Woods Agreement, and no longer let dollars be backed by gold or converted into it in international markets. A "new economic system" was created. It let us "spend beyond our means, live beyond our means, print money beyond our means," and it caused our current dilemma.

We created "an appearance of great wealth. But it was doomed to fail," and it became apparent in the past year: "the failure of the dollar reserve standard that was set up in August of 1971. It has ended. The only question" is what will replace it?

There's all kinds of talk, including setting up a new international fiat currency "with the loss of US sovereignty in total. We have to stop this move towards one world government and a one world currency." Otherwise our freedom and Constitution will be lost. When it was written, it contained prohibitions.

Article I, Section 8 gives Congress alone the right to coin (create) money and regulate the value thereof. The founders also wanted gold and silver to be legal tender, not fiat money, nor should there be a central bank. In 1935, the Supreme Court ruled that Congress cannot constitutionally delegate this power to another body. By creating the Federal Reserve System in 1913, Congress violated the Constitution it was sworn to uphold and defrauded the American public. Today's crisis is the fruit of its action, but watch out.

"The writing is on the wall, and the end of this system" approaches. "They cannot patch it up, they can't up it back together again. They know it and we know it. The only argument is what is it going to be replaced with?"

For now, "Central banks in the West especially have been dumping gold to artificially lower (its price) to pretend the dollar is of great value. They're still doing it, but they're running out of time (and) out of gold." It's shifting to stronger economic powers, ones who've been saving money, loaning it back to us, "and are ready to buy up America if we continue to do this. So it is a contest (between fiat) money and hard money, and that is such an important issue." It reflects what Daniel Webster once said:

"There can be no legal tender in this country....but gold and silver. This is a constitutional principle....of the very highest importance." Gold, however, wasn't the original monetary system standard. Silver was, the silver dollar, and only a constitutional amendment can change it.

Paper currency as well, whether backed by gold or not, wasn't the hard money authorized by the Constitution. Honest money is honest weights and measures of silver and gold. Federal Reserve Notes are paper fiat debt obligations. Fiat currency of any kind is a mechanism of wealth transference from the public to a privileged elite - through inflation and loss of purchasing power. It creates debt for the many and wealth for the few, especially when a private banking cartel controls it.

Our existing monetary system combines money, credit and debt into a dishonest system of empty promises in exchange for future ones. There is no eventual payment, only unfulfillable assurances to new generations that will be forced to pay for the debt now accumulated. It's a moneychangers dream - ever-expanding debt and a continuing interest rate stream, masquerading as wealth creation for the people. It's in fact a system of bondage and indebtedness benefitting the few at the expense of the many, a modern-day feudalism. It's how an elite 1% got to own 70% of the nation's wealth.

In the 1920s, Josiah Stamp, Bank of England president said:

"Banking was conceived in iniquity and was born in sin. Bankers own the earth. Take it away from them, but leave them the power to create deposits, and with a flick of the pen (today a computer keyboard) they will create enough deposits to buy it back again. However, take it away from them, and all the great fortunes like mine will disappear, and they ought to disappear, for this would be a happier and better world to live in. But if you wish to remain the slaves of Bankers and pay the cost of your own slavery, let them continue to create deposits."

Creating the Federal Reserve System to let bankers and not the government control the price and amount of fiat money debased the currency and is the root cause of today's financial problems. A return to honest gold and silver weights and measures is needed. The Constitution states that nothing but these metals are money and that paper bills of credit (like Federal Reserve notes) aren't allowed. Even ones backed by gold as the Constitution doesn't grant Congress the power to be bankers. It may only coin (create) and borrow money, not loan it out or give it away - and certainly not to bankers at the expense of the public interest.

Further, the Constitution contains no provision allowing Congress to enact legal tender laws. Article I, Section 10 forbids the individual states from making "anything but gold and silver coin a legal tender in payment of debts." However, US Code, 31 USC 5103, establishes US coins and currency, including Federal Reserve notes, as legal tender and has been used to debase the currency ever since - the way Gresham's Law works: bad (or debased) money drives out good (the kind with little difference between its nominal and commodity values).

For example, until 1964, US coins (except pennies and nickels) contained 90% silver. Starting in 1965, dimes and quarters were converted to their current nickel - copper composition. Half-dollars (now produced in limited quantities) had 90% silver. It then dropped to 40% in 1965 and by 1971 all US coins (except pennies and commemorative mintings) contained nickel and copper and no silver - a good example of debasing. As for paper currency, it's just paper.

Under a private banking cartel's control, it's been misused, stolen, and corrupted the way New York Times columnist Floyd Norris suggests in his November 24 article headlined: "Another Crisis, Another Guarantee." First the banks, then the auto companies, and who knows who's next in line for theirs. "As the nation's obligations rise into the trillions, at some point investors (and the public) may begin to question whether a government running huge deficits can also credibly promise that the dollar will not lose its value." How can there be any faith and credit left when it's vanishing and the Fed and Treasury operate like giant hedge funds.

It got UK-based Eclectica Asset Management chief investment officer, Hugh Hendry, concerned enough to say: "All (US) financials will be owned by the government in a year. I bet you. It's not good," but it's coming. US taxpayers will be "paying for this for a long time," and it's deeply concerning considering the amount of money creation - with no end in sight as problems keep mounting and limitless amounts keep being thrown at them.

On November 25 the Financial Times associate editor, Wolfgang Munchau, also worries about the Fed's "weapon of mass desperation" (so-called quantitative easing); focusing only on deflation and risking a currency crisis. He calls it a flawed, dangerous and shocking oversight - the possibility of "a mass flight out of dollar assets (at some point) and a large rise in US market interest rates, followed by a huge recession."

A Bloomberg.com November 24 headline highlights the problem: "US Pledges Top $7.7 trillion to Ease Frozen Credit," and it might as well have said there's plenty more where that came from if needed. With another $800 committed to two new loan programs the total reached $8.5 trillion, according to Bloomberg or nearly 60% of US 2007 GDP of $14 trillion, and the numbers keep rising exponentially because the problems continue to mount.

Bloomberg puts it in perspective saying "the (current) commitment dwarfs (TARP and puts) Federal Reserve lending last week (at) 1900 times the weekly average for the three years before the crisis," and with the added $800 billion it's about 2100 times pre-crisis levels.

In addition, the Fed refuses to identify recipients of about $2 trillion of emergency handouts or what troubled assets (if any) it's accepting as collateral. Call it lending or spending. They're public tax dollars being spread around like confetti and debasing it all as a result.

The Free Lakota Bank

On November 21, this writer discussed how Lakotahs are treated in an article titled "Fate of Lakotahs Highlights America's Failed Native American Policies." On November 24, the following press release and follow-up information announced:

"People of Lakota Launch Private Bank for Only Silver and Gold Currencies." All deposits are "liquid, meaning they can be withdrawn at any time in minted rounds. Some may confuse our economic system with isolationism....which it is not. Since we currently produce much more than we consume, we have the right to decide what medium of exchange to accept for our effort. And so we accept only value for value. Across our great land, over thousands of tribes and merchants participate in our system of trade. We invite others to trade with us and bring value back into our transactions."

This is the world's first non-reserve, non-fractional bank that accepts only silver and gold currencies for deposit. The Lakotas "invite people of any creed, faith or heritage to unite in an effort to reclaim control of wealth. It is our hope that other tribal nations and American citizens recognize the importance of silver and gold as currency and decide to mirror our system of honest trade."

The bank states that it issues, circulates and accepts for deposit "only AOCS - Approved silver and gold currencies." It calls paper not real money but "merely a promise to pay - a mortgage on wealth that does not exist, backed by a gun aimed at those who are expected to produce it. Since we deal only in real money, we do not participate in any central bank looting schemes." When corruption is rewarded and "honesty becom(es) self-sacrifice....you may know that your society is doomed." Even as victims of adversity, Lakotas are working to prevent it.

End the Fed

Privatized money control is the single greatest threat to democratic freedom. As former lawyer, economist, academic, and Canadian prime minister (from 1935 - 1948) William Lyon Mackenzie King once said:

"Until the control of the issue of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of sovereignty of Parliament and of democracy is idle and futile....Once a nation parts with control of its credit, it matters not who makes (its) laws....Usury once in control will wreck any nation," and indeed it has, far more now than ever.

It worried Thomas Jefferson enough to call banking institutions "more dangerous to our liberties than standing armies" at a much simpler time in our history. The right to create and control money belongs to the people through their elected representatives. For the past 95 years, powerful bankers accountable to no one have had it. They effectively run the country (and own it), and unless We the People change things, we'll continue to be victimized by economic tyranny and the eventual political kind that's coming.

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