BANKS AND THE NEW SLAVERY

The modern banking system manufactures money out of nothing. The process is perhaps the most astounding piece of sleight of hand that was ever invented …. The bankers own the earth. Take it away from them, but leave them the power to create money, and with the flick of the pen they will create enough deposits to buy it back again … If you wish to remain the slaves of bankers and pay the cost of your own slavery, let them continue to create money.

Sir Josiah Stamp, Director of the Bank of England, 1928-41.

This is probably the most important page on the website, as the quotation above will suggest, and the theme deserves a whole book to itself. Were the author of the quotation less eminently qualified to speak, it could easily be dismissed as the rant of a frustrated socialist. Stamp, now almost forgotten, was a remarkable person, a self-made man, reputedly the second richest in Britain, an industrial manager of exceptional talent, a writer of no mean scholarship, a moral economist of rare passion, and the author of such works as *The Christian Ethic as an Economic Factor*. One could wish he were living at this hour. What he says in this quotation may seem exaggerated but is true in the most literal sense, and the fact that every citizen is enslaved by banks through their ability to create money out of nothing should be taught in every high school.

Ignorance about the situation which Stamp describes may be explained by the fact that the institutions involved, though they may have started as nefarious enterprises, have acquired great size and with it respectability. While the top executives of an investment bank may deceive and cheat on a global scale and exert silent power on elected governments, the line managers and rank and file have no awareness of this, and present to the public a face of helpfulness and integrity. It is necessary to emphasize this, for the viewer will look at the banking personnel he or she deals with on a day to day basis and get the feeling that Sir Josiah Stamp, despite his title and rank must either be deluded or talking in such an exaggerated way as not to deserve attention. To understand what he is saying one must first have a minimum knowledge of how banks function in creating money out of nothing.

The Magic of Banking

Modern banking began almost accidentally, when goldsmiths realised that the receipts they had given for goods in their safekeeping were circulating commercially as money. Before this, there was no banking profession as such, for money changers would exchange money and goldsmiths would make things out of gold, and both would make loans on an individual basis, as a profitable sideline. Currency exchange was most highly developed in northern Italy, probably because there were so many city states each with its own currency, and the trestle table used in the market place, *banco* in Italian, has given the word "bank" to the world. Once the money changers caught on to the fact that a goldsmith's receipt was accepted as proof of ownership, whether or not there was gold in their strong room to back it, banking took off.

Banking is at base a confidence trick, therefore, but its benefit to those who need money temporarily is so great as to outweigh the trickery involved. It is a strange kind of fraud, a crime with two beneficiaries, so long as the interest charged is reasonable and bank notes are redeemable on demand with gold or silver. Unfortunately those two conditions do not always obtain. In the past the borrower himself was the security for the bank loan, and if he was unable to repay it, the lender was legally entitled to take him and his family into slavery, a situation which still exists unofficially in India and elsewhere. For this reason lending at interest, whether reasonable or not, was forbidden by the Christian church until five or six centuries ago and is still forbidden in Islam, although, ironically, modern slavers in Africa a largely Moslem.

Chattel slavery was made illegal in the West less than two centuries ago, and it is to the great credit of the British nation that the Royal Navy spent much effort, and taxpayers' money, to bring to an end the trans-Atlantic slave trade. But there is more than one form of slavery, where an individual is forced to work for the benefit of someone else. Karl Marx coined the term "wage slavery" to emphasize that factory hands often have no option but to work for minimum wages for the owner of the factory. Less visible is the kind of enslavement by banks to which Stamp refers. It is a complex issue, which may be exemplified quickly, but not adequately, by pointing to a common experience where a householder in negative equity – that is, whose house has dropped in value below the mortgaged loan owed to the bank, can spend most of their salary for many years working to pay it off, and until then they are, as has been said, prisoners in their own home, for they cannot sell it for less than is owed to the bank. It may be objected that the loan was originally a contract entered into freely, and is thus not to be considered as slavery, but it was a contract without full knowledge, and thus legally dubious, for the borrower rarely has knowledge of the forces which move prices and interest rates up and down, whereas the bank is part of a system which does this to its own advantage. The bank's ability, and intention, to pump the system in this way is rarely mentioned in economic text books, and never emphasized, although it was the cause of the 1929 Crash and the credit crisis which is currently engulfing the world.

The essential magic of banking is equally unknown to the public, most of whom think that banks merely lend on to borrowers, but at a slightly higher interest rate, money that has been deposited in the bank by savers. The reality, and the very essence of banking, is the goldsmiths' original deception of issuing money against assets that do not exist. As John Kenneth Galbraith put it, "The process by which banks create money is so simple the mind is repelled." On the basis of having a small amount of assets and a government licence, the bank effectively issues a phoney note, like the goldsmiths of old, although today, it is only a book entry, which is converted into a bank cheque which the borrower is able to exchange for anything he or she wishes. If by some imagined stroke, all the loan money in circulation were paid back to the banks overnight, there would be virtually no money in circulation, and trade and business would dry up. That is the black magic side of banking, which is today sending the economic world into convulsions.

Banking – A Worked Example

The easiest way to see the essentials of the banking system is to consider someone who takes out a mortgage of £100,000 to buy a house, over a period of ten years at six per cent. That sum is entered on the bank's books as a debit, which will be slowly reduced over time and wiped out completely after ten years. When the £100,000 has been repaid, the bank's books go back into balance, and the phantom debt and currency disappear. What remains, however, is the interest paid to the bank, which represents labour on the part of the borrower. To simplify the arithmetic, let it be assumed that the loan is not at 6% on the reducing balance, as are almost all mortgages, but using an older and simpler system in which 3% per year is paid on the original sum borrowed until it has been paid off. Over a period of ten years, the borrower will have repaid the loan and paid the bank 10 x £3,000 in interest over the ten year term of loan. This sum of £30,000 remains in existence when the loan has been extinguished. It is real money, which can be retained by the bank as capital or paid out in dividends to the shareholders or taken by the directors in salaries and bonuses.

There are two vitally important things about modern banking.

Firstly, the bank must be licensed by the government to issue money by creating a loan facility. The cheques which are drawn on this facility are money, but of a particular kind. They are not claims on an asset such as gold, held by the owner of the money, but tokens of a debt, in effect IOU's which the holder may or may not be able to honour. Modern economies run on this strange debt-money.

Secondly, the government licence allows the bank to lend far more than it has in reserve as assets. The bank's reserves may be in the form of savings deposits, share capital and other financial instruments, such as government bonds and mortgage-backed securities.

The ratio between the money that the bank is allowed to lend out and the assets which it owns varies, but has typically been around 10:1, that is to say, £10 of loans for every £1 of reserves. This"fractional reserve banking" is at the heart of the economic magic. Currently the accepted norm is 12:1, as recommended by the Bank of International Settlements, though a higher ratio has been proposed, with a view to taking pressure off banks whose capital base has been eroded through massively unwise buying of so-called toxic mortgage bonds. The danger of raising the reserve ratio is that this will increase the money supply and thus generate inflation, and it is significant that the central bank of China is trying to head off inflation by imposing on Chinese banks a reserve ratio of 6:1.

There is nothing intrinsically wrong with fractional reserve banking, though many reforming theorists would say that there is: the real fault lies with the ratio. A certain amount of credit money is essential in a growing economy, but when the economy is not growing, to expand the money supply by decreasing the banks' reserve requirements is a by no means a certain recipe for stimulating the economy. Were the reserve ratio set at, say, 1.2:1 – i.e., £1.20 of loans for each £1 of assets, the global banking system would probably be completely stable, and the only moral issue would concern who gets the licence to print money and on what grounds.

The downside of fractional reserve banking is that when a bank runs into trouble, and its asset base starts to shrink, it sets off a domino effect, as depositors start to withdraw their savings. Then it is realised that only one in twelve will have their money returned, these being the lucky ones who got to the counter first. The other eighty eight per cent of savers, and all the shareholders, will be left with nothing. If multiplying money out of nothing is the magic of banking, this danger is the curse. The case of the Northern Rock bank, though now well downstream in the banking crisis, provides a simple illustration of what happens when banks become too greedy or reckless.

Under the Northern Rock

On February 17th, 2008, Alister Darling, the chancellor of the exchequer appeared on television to announce that Northern Rock would be taken "temporarily" into public ownership. In a twenty minute statement he did not give a single figure nor any projection other than a repeated "I hope", and not even a rough date for his hope to be realised. When the chancellor said that he and the prime minister had been following the advice of the banking giant, Goldman Sachs, one could be excused for breaking into hysterical laughter, for Goldman Sachs is one of the main agents of the whole subprime mortgage disaster, and the later news that the same bank had collected the lion's share of £100,000,000 in fees for their advice is enough to numb the mind. That is roughly £1,000,000 per day of tax-payers' money given to an American private bank for financial wisdom that is apparently beyond the best brains of the Bank of England or the Treasury.

This is no academic debate among economists. While any estimates must be very loose, there is every reason to think that the government's "short term" loan to Northern Rock will turn out to be a gift of about £50 billion, an astonishing sum, roughly half of the annual NHS budget, and all this to save one smallish bank. When the final bill comes in, Northern Rock will probably have cost every taxpayer over £2,000. Even if this best guess is a hundred per cent out, the figure is still £1,000. What are we paying for?

The answer is quite simply to keep the banking system intact, as Darling explicitly said, but his answer raises a question that is never asked, namely, why not let the system collapse if it is so dysfunctional? There are two intertwined answers to this question: firstly, to allow the bankruptcy of all the financial institutions that are now technically insolvent or sliding into insolvency would bring social and economic chaos on an unimaginable scale and, secondly, the power of banks to create money "out of thin air" would be taken away from them. It is not hard to imagine the lengths to which the financial powers that run the world will go to retain such a legal monopoly.

What sank Northern Rock, or would have sunk it if the British government had not come to the rescue, was the fact that it had bought supposedly secure and high yielding investments from American investment banks which were now failing to yield, as the original subprime mortgagees started to default. These investments, now unsaleable and thus of no value, were there on Northern Rock's balance sheets as assets against which it was no longer able to borrow money to lend out as mortgages to its own clients. When the assets started to shrink, the bank's legal power to lend shrank too. Hence it had either to reduce its mortgage book (and thus its profits) or increase its capital base. Since the £50 billion or so that the government has put into the bank is not permanent capital, Northern Rock, and the taxpayer, is in a no-win situation. Selling more shares or attracting huge new deposits were not realistic options, until the government's quasi-nationalisation of the banking sector in October 2008. At a stroke Gordon Brown had changed the very nature of capitalism.

Northern Rock is now seen to be the microcosm of a wider world in which the citizens of almost every country will have a substantial part of their hard-earned wealth silently taken away from them without their consent or knowledge in order to save the banking system. We are all now working for an invisible order of individuals and institutions, and in this respect are no different from the serfs of the Middle Ages, who were forced to give part of their labour to their local landowner.

> The global banking structure has been undone by systemic greed, deceit and ignorance. What seems at first to have been an unhappy banking accident is shown to be on deeper examination a moral problem at the heart of society.

The Government as Loan Shark

On February 18th, 2008 there was a "Dispatches" programme on BBC television, dealing with the Northern Rock crisis. In an opening remark, one of the experts traced its origins to a praiseworthy attempt by to help those with low incomes onto the housing ladder. Nothing could be further from the truth, for the whole mess, now of global proportions was a deliberate and coordinated plan by an informal association of banks, insurers and mortgage sellers to make huge profits by deliberately deceiving both borrower and ultimate lender. To believe that these institutions had any interest in helping the financially disadvantaged is to live in an economic cloud cuckoo land. What drove it all were the commissions made on the transactions at every level, from selling the mortgages, to arranging them, packaging them as tradeable investments, acquiring a security rating for them and selling them as super-safe investments to a variety of institutions, from pension funds to hedge funds and other investment banks. Once it was seen to work on the small scale, it was put into practice across America and across the world.

To understand the economic world today, it is vital to know that the US government and the Federal Reserve Bank were not just silent accomplices but active drivers of this fraud. Alan Greenspan, the Chairman of the Federal Reserve, went out of his way to encourage unqualified borrowers to take on mortgages which he knew would go into default. He was not the naïve victim of mistakes by others, but a prime mover in a fraud that has been justifiably called the greatest financial scam in the history of the world. The timing and content of his speeches leaves no room for doubt on this judgement: he was, quite literally, an invaluable part of the sales team, reassuring individuals and governments alike through the authority of his office. In the words of the political and economic commentator William Engdahl, taken from a web article of 23/1/08, subtitled "Greenspan's Grand Design"

> **In speech after speech the Fed chairman made clear that his ultra-easy money regime after January 2001 has had as prime focus the encouragement of investment in home mortgage debt. The sub-prime phenomenon … was the predictable result of deliberate Greenspan policy. Close scrutiny of the historical record makes that abundantly clear**

The packaging or "securitization" of many small mortgages, or other debts, such as car loans, was not new, but the development of an experiment tried out on a small scale by the investment bank Drexel, Lambert and Burnham in the 1990's. What was new was

- the sheer size of the revived idea,
- the active assistance of the Federal Reserve and its associated banks and the Bush administration in promoting it
- the deliberate selling of mortgages to borrowers who were almost certain to default,
- the low risk certification given to very high risk investments by trusted rating institutions in order to earn high income from the banks
- the passing on of default risk from the banks which originated the individual loans to the ultimate purchaser of the investment package

The first link in this global fraud was the tens of millions of low wage earners who were not just allowed but persuaded to take on adjustable rate mortgages (ARM's), which they could not afford to sustain long term. This was done by offering them at very low interest ("teaser") rates, or no interest at all, for an introductory period, usually three years. During this period the Greenspan Fed raised base rates by some 3%, which neither the mortgagees nor the mortgage salesmen had anticipated in their calculations. In many instances, mortgagees were offered cashback payments, effectively raising their loans to more than the value of the property. It was not difficult to sell mortgages on this basis, since the price of houses was going up dramatically at this time, a deliberate consequence of the loose money policy that had been initiated by the Fed, under the chairmanship of Alan Greenspan. The excess money in the system was going largely into share and property prices. No one believed that house prices could go down; all believed, naively, that they would continue going up indefinitely. In this situation of delusory optimism, the aim of the game was simply to get a mortgage document written and signed, and sold on as a secure investment to an unwary institution, which would thus take on all the risk of default. The bank would have the profit but no risk.

The financial chickens are now coming home to roost, with house prices in the US having fallen on average about 22% from August 2007 to October 2008, and still falling. The worst is by no means over. There are now perhaps fifteen million households in the US (the actual figures are unobtainable) whose monthly mortgage payments are now rising steeply, to an unaffordable level. Typically, a family which was paying $1,000 a month in mortgage two or three years ago, now has to find $1,400, a crippling increase. In many instances so-called "exploding ARM's" (adjustable rate mortgages) would have sent the monthly payment to $1,700 or higher. At the same time the slump in the housing market has resulted in the value of their house being much less than the mortgage owed. They are trapped in negative equity. Many are simply walking away and returning the keys of their house to the mortgagee, making the banking crisis even worse than it is.

The complicity of the Federal Reserve and the Bush administration in this extortionate scheme cannot be dismissed as conspiracy theory. On February 14th, 2008 the *Washington Post* carried an article headed 'Predatory Partners in Crime' by Eliot Spitzer, at that time the governor of New York and former state attorney. The gist of the article is that the battening of mortgage lenders on the poor and less educated just described, which Spitzer called "predatory lending practice," was well recognized some three or four years ago, but attempts to regulate it were blocked by the US government. I quote from the article itself:

> **Predatory lending was widely understood to present a <u>looming national crisis</u>. This threat was so clear that as new York attorney general, I joined with colleagues in the other 49 states in attempting to fill the void by the federal government .... Not only did the Bush administration do nothing to protect consumers, it embarked on an aggressive and unprecedented campaign to prevent states from protecting their residents from the very problems to which the federal government was turning a blind eye [by invoking] a clause from an act of 1863 .... and filing a federal lawsuit to stop the investigation.** [emphasis added]

An Internet search under **Spitzer + predatory lending** will show that there are many who believe that Spitzer's whistle-blowing resulted in his subsequent loss off office after revelations about his private life, and although this cannot be proved, it would fit into a pattern of politicians who have opposed the so-called "Fed Cartel" coming to a bad end through character assassination, fatal accidents or "suicide."

A Bank for the Nation

History reveals two broad streams of banking, the first being what may be called "banks for the people" and the second "banks against the people." A new economics will call for a revival of the former, which is looked at in **A Really New World Order**. The latter can be traced in a constant struggle between banking interests and the state as to who controls the nation's money supply. The reason for the banks' ambition is that the government is the biggest and safest customer and will always have need of loans, and it offers secret access to the levers of political power. The security of a loan made to the government lies in the ability of the state to tax its citizens in order to pay it back, thus opening up the danger of a hidden slavery, for if working individuals must pay, say, ten per cent of their wages to service government debt, they are in effect working for five weeks of the year for the banks.

It may well be asked why the government does not print its own money, thus avoiding the need to borrow from and pay interest to a private bank, and the answer to this in a nutshell is that banks are always willing to lend money to a government, but citizens are usually very unwilling to pay taxes to pay for government services. The great advantage to the government in borrowing privately is that it can keep on borrowing without having to ask permission of its citizens, who have no idea of the taxation bill or the inflation that is being accrued. This is not strictly true, since parliament must normally vote through a budget, but when it comes to war or national emergency, parliament and people always give permission to the government to borrow as much as it wishes.

The first step from money-lending to banking – the use of phoney receipts for gold - took four or five centuries to be formalised. The second step, by contrast, was clear cut and can be dated exactly to July 27th, 1694. That was when a private bank was given a royal charter. It should by right have been called The Bank of William Patterson and Associates, but it gave itself the name The Bank of England, a fact of some significance, for it created the deliberately misleading impression that it was owned and backed by the government. In similar fashion, the Federal Reserve of America is a private bank, though few Americans are aware of this. The fact is of pivotal importance in modern economics, for the simple reason that a private bank must put its profits before the country's needs or anything else.

William Patterson and friends struck a deal with King William III to lend all he needed in exchange for the sole right to be the official bank and, armed with a legal licence to print the nation's money, the Bank of England soon flooded the country with debt-money, and price inflation set in. With government behind it as security, expansion of the loan book carries no risk of default. The Bank of England was nationalised in 1946, so that in principle, the taxpayers no longer paid interest on loans from private parties, but its original constitution became a model for governments, and banks, all over the world.

The Bank of England was not founded without opposition. William Lowndes, an economic commentator of the day, made the obvious objection to giving national funds to private individuals by way of loan interest, when the government could, in theory have printed its own currency. "Who can think," he said, "that posterity will be willing to pay a tax of £110,000 per annum [on the original loan] to go into the pockets of private men, when it will be in their power to acquit the public of such a burden." But the fact was that the only way that King William could find the money to pay for a war with France was to pawn the nation's present and future revenues. War is inseparable from economics, and has complex effects. Initially, it may stimulate industrial activity and invention, as World War Two put an end to the depression of the 1930's. In the longer term, however, war uses up the productive capacity of the country to no purpose, it destroys in years what hard work, saving and investment has taken tens of years to create. Fighting endless wars, even though successfully, destroyed the Greek, Roman and British empires, by using up all their wealth, and war is destroying the American empire before our eyes.

Wars can rarely be financed out of immediate taxation, but only by borrowing, and banks are always there to lend. Banks love war, and very often lend to both combatants, to buy munitions and keep the war going. Government's willingness to borrow at any price in order to engage in wars has accelerated the rise of banking from the beginning, but the power which banks have to shape society comes from their ability to expand credit at will and then withdraw it. David Ricardo, a founding father of economics, was clearly aware of this, and wrote to his friend Thomas Malthus (the father of demographics) in no uncertain terms about the danger in borrowing from the Bank of England:

> **Banks have the power, without any control whatever, of increasing or reducing the circulation in any degree they may think proper: a power that should neither be entrusted to the State itself, nor to anybody in it. When I consider the evil consequences which might ensue from a sudden and great contraction of the circulation, as well as from a great addition to it, I cannot but deprecate the facility with which the state has armed the Bank with so formidable a prerogative."**

What Ricardo terms "great contraction of circulation" is the deleveraging that is now happening around the world. forcing down share prices, house values and much else, and creating huge unemployment.

Patterson, an individual of genius and social conscience, later resigned from the Bank of England, and towards the end of his life actually wrote a book proposing that the national debt should be paid off. Far from gaining applause and support, the book was burnt before the Royal Exchange. As the economic historian William Krehm explains, "The Bankers did not want the debt paid; just the opposite. They wanted to build up a real interest charge into perpetuity on the money they had created out of thin air and loaned to the government."

It cannot be too strongly emphasized that the heart, rationale and driving force of modern banking is keeping people in debt. The challenge to banks is to keep the maximum number of people in the greatest amount of debt and with all the security of the nation state's guarantee.

A Bank for Europe

The second critical development of banking was a quantum leap, a private bank which had all the countries of Europe as its clients and under its control, and this called for a particular genius, a financier who was able to grasp the revolutionary nature of Patterson's enterprise and replicate it on a continental scale. That genius was born Mayer Amschel Bauer in 1743 in Frankfurt (still the centre of German banking), the son of a small money lender, but who later adopted the name Rothschild by which he is better known. The story of how he initiated his banking empire and used it to seize political power has often been told and would be well worth a major film; it is tale of financial planning on a Napoleonic scale, of ruthlessness, discipline, sharp practice and luck.

His greatest stroke of luck was to have five sons – the so-called five arrows which are on the Rothschild crest - who implemented his design for a tight family group to take forward his grand plan. This was nothing less than gaining political power over the continent of Europe by putting it in his debt. Political power would then consolidate his monetary power, creating states which would be permanently dependent on his loans and protective of his financial interests. By luck, skill and chicanery he was able to establish royal connections with the wealthiest monarch in Europe, Prince William of Hesse-Cassel, and with that established and a good supply of capital, he set up banks in Frankfurt, Paris, Vienna, Naples and London with his five sons at their heads. The third son, Nathan, almost as intelligent and ambitious as his father, was charged with opening the London branch and built it up so rapidly that by 1817, the Prussian minister of finance could write, "His power as a banker is enormous …. he has incredible influence upon all financial affairs here in London [and] entirely regulates the rate of exchange in the City."

This power rested upon the founder's last will and testament, which is in effect the constitution for an embryonic new world order. When Mayer died in 1812, his will specified that his budding empire was to have the legal form of a family partnership, thus evading any need for published accounts, however large it may grow, that all positions were to be held by members of the family, that they were to intermarry only with their first and second cousins, if they were to keep their inheritance. There have been relaxations of these conditions as the empire has expanded, but they formed the direction of future developments and the mindset of the institution. The mindset and method of the Rothschild empire building may be exemplified in a famous episode, briefly told in the box below.

The Strategy of Nathan Rothschild

Nathan Rothschild is famous for his saying, "Buy when there is blood in the streets," and the basis of his astonishing success as a money-maker lies in his deceiving the financial institutions in London into believing that there was, so to speak, blood in the streets on June 18th, 1815. This was the date on which the British alliance defeated Napoleon at Waterloo. Whichever side was to lose that critical battle would see the value of its government‘s bonds go down, and Nathan set out to convince the financial establishment in London that Britain had lost. The Rothschilds had an intelligence gathering network second to none, and in this instance it was deployed with near-genius. When the to and fro of the battle moved into its final phase, and with sufficient confidence that the French were going to lose, Nathan's observer mounted his horse and went at full speed towards the English Channel, changing to a fresh mount at the pre-arranged staging posts. At the coast a vessel was waiting, and was met at Folkestone by Nathan himsef. With the same speed, Nathan headed for London and the Stock Exchange, where he took up his usual position, but with the glummest of faces.

Then he started to sell British government bonds, as did his agents planted elsewhere on the trading floor. No one was in any doubt that Nathan was the shrewdest of operators, and before long word passed round that he had advance news of the battle, that Napoleon had won and Nathan was unloading his investment in British government stock. Within a few minutes a panic of selling developed, until the price totally collapsed. When "consols" were selling for pennies in the pound, Nathan and his agents quietly started to buy, at rock bottom prices, taking care to do so as surreptitiously as they had previously sold with drama.

Twelve hours later, the news came through from the battlefield, and the value of the British bonds soared. It has been estimated that the London branch of the Rothschild bank increased its capital twenty times over in three days. It also increased the awe, if not the affection, with which it was held by the rest of the financial establishment.

Banks Against the State

Paradoxically, despite "a passion for anonymity" which meant that their financial political deals were rarely done openly or under the name of Rothschild, and false trails were often laid in public, both father and son boasted of their political power. Thus Meyer Rothschild:

> **Give me control over a nation's money and I care not who makes its laws,**

and his son Nathan:

> **I care not which puppet is placed on the throne of England to rule the Empire. The man that controls Britain's money supply controls the British Empire. And I control the money supply.**

It was a financial blitzkrieg, and by 1837 an article in the New York Times could assert:

> **The Rothschilds introduced the rule of money into European politics [and] undertook <u>to reconstruct the world as an image of money</u> and its functions. Money and the employment of wealth have become the law of European life. We no longer have nations, but economic provinces.** [emphasis added]

Frederic Morton, author of *The Rothschilds* (1962) wrote in the same vein:

> **For the last one hundred and fifty years, the history of the House of Rothschild has been to an amazing degree the backstage history of Western Europe**

Anyone with knowledge of the history of banking will look at the financial world today with a sense of *déjà vu*. Global events are being moved by the actions of international banks, which represent Rothschild interests. Though they rarely bear the name, they continue the policy of expansion of financial and political power. The threat of the fourth Baron Rothschild, also a Nathan, to "destroy George Osborne" (his words), the Conservative Shadow Chancellor and a long-time friend (*Guardian*, 22/10/8) is a topical confirmation of Rothschild priorities and methods. The facts now coming out all point to financial links between Rothschild and the Russian oligarchs, who together own over fifteen per cent of the Russian economy. The links are not disputed, nor the scale of the assisted takeover, which could justly be called a looting of state assets.

A Bank for America

While the first Nathan was consolidating the Rothschild's influence over Britain and its empire, he was also preparing to extend it over the rising new economic power of America.

There were certain reasons why this could not be done by frontal assault, not least that the American constitution had been drawn up almost with the aim of preventing such a takeover of the national finances by private institutions. Article 1 (8) states that "The Congress shall have power … to coin money, and regulate the value thereof," but, as so often with constitutional principles, their necessary broadness can be used by the unscrupulous to ignore them in the detail.

Certainly the principle could not have been more clearly stated than by several of the founding fathers, who displayed rare economic acumen before the science itself was hardly born. Thus Thomas Jefferson:

> **If the American people ever allow the banks to control issuance of their currency, first by inflation and then by deflation, the banks and corporations that grow up around them will deprive the people of all property until their children will wake up homeless on the continent their fathers occupied.**

And James Madison, often called the Father of the Constitution:

> **History records that the money changers have used every form of abuse, intrigue, deceit and violent means possible to maintain their control over governments by controlling the money and its issuance.**

And later President Andrew Jackson:

> **If the people only understood the rank injustice of our money and banking system, there would be a revolution before morning.**

At this point, in a story which becomes more complex as it progresses, it may be well to return to the simple question of what it is about banks that is so unjust and distressing, since most people's contact with them is not like this. The answer lies in the fractional reserve system which enable a bank to lend out money which it does not have, and has not earned, and keep the interest on it. When a government borrows from a private bank, or by issuing bongs, it repays loan and interest by taxing its citizens, or if this is impossible, by selling off their national assets. Thus when we are dealing with financial institutions often larger than a nation state, wealth flows continually in one direction from the national community into private hands. This is a very simple analysis, but adequate for present purposes. The main point is that the aims of the financial company – i.e., profit – are quite different from those of the state, which exists for the welfare of its citizens and which, in a democracy, is ideally composed of their representatives, elected for this purpose.

A further insertion into the theme should also be made in order to emphasize that the history of banking is an integral part of political history and cannot be understood without applying a good deal of time to seriously studying it. This is particularly true in the case of the Rothschilds, whose plan to build a global financial empire – one might say rather a global dictatorship – will seem hardly believable on first encounter. Yet Frederic Morton could summarize his account of their rise to power with the words, "They have conquered he world more thoroughly, more cunningly, and much more lastingly than all the Caesars before."

To have so great a desire for money and expend so much energy in obtaining control of the world's money may seem reprehensible or even the waste of a lifetime, but the more one understands it, the more it is seen to have profound implications for human evolution. Greed and power become insensibly a quasi-religion which shapes political communities and tacitly defines what being human means. The "Money Power", a term which seems to have been invented by Abraham Lincoln, subverts elected governments and democratic values. It is parasitic on the state, and is always at odds with the citizens' finest instincts. In Lincoln's words:

> **The money power preys upon the nation in times of peace and conspires against it in times of adversity. It is more despotic than monarchy, more insolent than the aristocracy, more selfish then the bureaucracy. It denounces, as public enemies, all who questions its methods or throw light upon its crimes.**

Lincoln was one of two presidents who took steps to return the nation's financing and the issuance of money to the elected government. Though forced to borrow heavily from the international banks during the Civil War, when faced with extortionate demands of interest at almost 20%, he took the desperate step of issuing government money, the famous greenback, as a temporary measure. This proved to be so successful that there were calls to make it permanent, but before any steps could be taken, he was assassinated eight days after his re-election as President in 1865. The other president was John F. Kennedy, who by presidential decree 1110 on June 4, 1963, issued government notes backed by silver. He too was assassinated, a few months afterwards, and the new currency already in circulation withdrawn without any further announcement. There is evidence to suggest that neither assassination was as the standard histories tell it, and while this is usually dismissed as conspiracy theory, it should be kept in mind that enormous fortunes and political influence rested on their decisions to put an end to the money power's monopoly on issuing national money.

Making Wealth Through War

In order to gain control of the commanding heights of the economy, international money power must defeat democracy, and the struggle between them is an undeclared war. One of the fiercest struggles occurred during the presidency of Andrew Jackson, who, when vetoing the Bank Bill in 1832, said, "The Bank is trying to kill me – but I will kill it." Later, when asked what was the greatest achievement of his career, he replied, "I killed the bank." There is no reason to think that "the bank", which was a Rothschild front, would calmly accept this defeat. So sure was the "Money Trust" (as it was referred to in Congressional debate) of ultimately victory, that Paul Warburg, the Rothschild agent who masterminded the Federal Reserve Act coup, could announce triumphantly, "We shall have World Government whether or not we like it. The only question is whether World Government will be achieved by conquest or consent." That he can talk of "World Government" is a measure of the breath-taking ambition of the House of Rothschild and its banking progeny, control by financial powers over every government in the world.

Warburg has been proved right, and the saga is still unfolding, though not in a way that anyone could have foreseen. The conquest of which he boasts, is through overwhelming financial pressure of many kinds, simple corruption of those with political power, alliance with what is called "big business" and, through it, control of the mainstream media.

> Incitement to war has played an indispensable part in the history or international banks, for it generates the largest and most profitable form of lending. The Rothschilds and their proxies have indiscriminately provided combatants with the money to fight, regardless of which one may have been in the right, thus making profit in principle more important than justice or human rights. In the Napoleonic

> wars the Rothschild family was lending money to both side (Nathan in London, Jakob in Paris), and so too in the American Civil War. Abraham Lincoln agonised over putting the Northern States in the banks' power, but had to admit the only alternative was to lose the war for lack of money to fund and supply the their army. While he was applying for the necessary loans, the Confederates were already being funded by the same banks.

Another kind of war, this time with their competitors was integral to the Rothschild strategy and was to have the most destructive consequences on what passes for a free market in banking. After the Napoleonic war, the French administration severed its ties with Rothschild and obtained the loans it needed from two other banks, Ouvrand and Baring Brothers (the bank which Nick Leeson single-handedly destroyed in the 1990's). The best offer from Rothschilds was unable to break this duopoly, so they applied a stress-to-destruction tactic which was soon to become a general strategy. They secretly bought up immense amounts of the French government bonds, and then unloaded them rapidly on the market, thus forcing their price down. With public confidence in the bonds destroyed, Rothschild's bank then offered a new loan to the French government, which was gratefully accepted. The money which they lost in selling the competing bonds at a loss was more than recouped by the now permanent contract that had been welded with the French government, now painfully aware of what might await them if they did not cooperate in future.

A similar manoeuvre was repeated to bring about the 1929 Crash, with the major US banks, all with direct or indirect links to Rothschild, lending out huge amounts of money to buy shares on margin, and then suddenly withdrawing the credit, forcing the sale of shares and sending them down in value, to be bought at fire sale prices. Senator Charles Lindbergh, father of the famous aviator, and a fierce opponent of the Federal Reserve Act, was among the few who could foresee this. "From now on," he warned, depressions will be scientifically created." The Wall Street Crash deserves much more attention on this website, but this single mention must suffice. The important thing is that the House of Rothschild had conquered America so completely that by 1911 the mayor of New York could say, in summary confirmation of this assertion

> **The real menace of our republic is the invisible government which [is] like a giant octopus. At its head is a small group of banking houses, generally referred to as "international bankers.**

By then the "invisible government" had spread its tentacles to other continents, and had funded Cecil Rhodes and De Beers in their attempts to establish gold and diamond monopolies in South Africa. There is ample evidence that the Boer War was not only funded but incited by financial interests. True, there were jingoistic mobs baying for war, but a large proportion of the British public and parliament was against it, and the deciding factor was, without doubt, that the money power was for it.

Banks Against the People

An understanding of the role played by the Rothschild empire in the history of banking is made difficult by several factors, apart from simple disbelief that a single family could have the ambition to take such comprehensive control of the world's monetary system. Although secrecy was of their essence, its strategies and conquests are documented in many places. The more successful it became, however, the more it had to make alliances of various kinds, and the driving energy to gain financial control has been diffused and less easy to identify. Few, even in the profession would, for instance, associate the investment bank JP

Morgan Chase with the House of Rothschild today, although it came to power as their agents in America. It was widely believed on Wall Street that if one wanted to deal with a gentile bank, one went to JP Morgan, and this had been deliberately planned by Nathan Rothschild by inviting the bank's founder, George Peabody into partnership. The other great American bank with the strongest Rothschild lineage is Goldman Sachs, about which more on the page **The Really New World Order**, these two seem now to be gobbling up the rest of the US banking system in order to feed their gargantuan appetite for profit in a financial world that is falling apart.

A summary account of the rise of the House of Rothschild is bound to fail in conveying the significance of its role in the evolution of banking and of money. Yet from a metaeconomic point of view, it is the uniquely defining fact of modern economics and the overwhelming reason why humanity must break out of the present paradigm into something radically different. Predatory banking has now become so taken for granted (at least until the subprime and derivatives crises started to shake its foundations) that an account of its origins and development will almost certainly sound melodramatic and over-the-top to modern ears, but the challenge now approaching was seen clearly by Lord Acton a century ago:

> **The issue which has swept down the centuries and which will have to be fought sooner or later is the people versus the banks.**

It is difficult for the average person to comprehend why Rothschild and his five sons should want to engage in endless expansion of financial power. The explanation takes us to a deeper level of economic understanding and the purpose of this website, for it throws into stark relief two theories about human nature and about evolution. The one exemplified by the Rothschilds – and, of course, by many others – assumes in practice that life is ultimately about accumulating money and exercising power and the fulfilled human is one who has the greatest success in this. The other theory is that economic activity should ultimately be in the cause of human welfare and a means to an end, not an end in itself. If the latter is taken to be a norm, then modern banking will be seen in the long view of history to be not only a sociopathology but a force for evolutionary regression. The quest for money and power will produce an undesirable kind of human and a society at odds with itself. The thread which connects everything on this website is the assumption that one cannot build a better world without better people, but the other side of that coin is that one cannot make better people without a better world, and the modern banking empire has no slightest interest in doing that, for it is an engine of human exploitation and the acquisition of political power. As will be seen, the drive for profit, at whatever human cost, is so blind that it eventually becomes self-destructive.

THE BANK THAT CONQUERED AMERICA

With a *de facto* Rothschild Bank of Europe consolidated, the family turned its attention to America, and at first made a frontal assault using the American Nicholas Biddle as their agent to establish the first Bank of the United States. However, its charter was not renewed by Congress, thanks to the efforts of President Andrew Jackson in 1832. There were, in fact, five attempts during the 19th century to win this glittering prize, but all were eventually ended by Congress's refusal to permit such a monopoly power to take root. An excellent short historical account of these failed attempts can be found on "America's Forgotten War Against the Central Banks" by Mike Hewitt. With a global empire as its goal, this was a war that the Rothschilds and their allies had to win, and their victory in 1913 has shaped world economics, indeed economic theory, since then.

Their victory was achieved with strategic planning and subterfuge of which any military commander might be proud. By engineering a lending crisis in America in 1907, when hundreds of small banks collapsed and lost the money of their depositors, they created a favourable climate for the establishment of some kind of central bank, which would regulate the country's banks and be a lender of last resort. "What kind of central bank?" was, of course, the critical question, and since both logic and sentiment were against a private bank taking on this critical public function, the institution set up to be the controlling bank of America was named The Federal Reserve, a title carefully thought-out to give the impression that it was not actually a bank and that it was an arm of government. As a further smokescreen, twelve Federal Reserves were set up, in different geographical regions, although the New York Fed is the one that makes national decisions. The Federal Reserve is, in fact, a private company incorporated in Delaware, and the Federal Reserve Act of 1913 provided that its shareholders be kept secret. Since then their names have come to light, and they are nine banks, four of which are European, but that hardly matters in the global context of the enterprise. The Rothschild Banks of London and Berlin make up two, and all the others were, and still are, in different degrees owned or controlled by the Rothschilds. Three of particular note are JP Morgan, the Chase Manhattan, which sounds a hundred per cent American, but is largely owned by the Rockefeller family, which has had the closest links with the Rothschilds for a century, and Goldman Sachs, which is the largest investment bank in the world and has provided successive secretaries to the US Treasury. It has been said, and not in joke, that the American economy is a branch of Goldman Sachs.

How this banking conspiracy was able to persuade the US Congress to pass the Federal Reserve Act and hand over its constitutional power to create money and credit has been told by a by many economic historians. G. Edward Griffin's *The Creature from Jekyll Island* has become the standard popular, but well researched, account. *The Economic Rape of America* sets the founding of "the Fed" in a wider historical context, and can be viewed at www.buildfreedom.com. I have taken information from both, and recommend also *The Money Masters: How Banks Create the World's Money,* on DVD. I should say, however, that I do not necessarily endorse any religious or wider conspiracy theories of world dominance that often appear with the economic and historical facts. Conspiracy there has certainly been in abundance, but I have tried to limit speculation in this article to that for which there is the soundest of evidence.

I have skipped over the drama that led up to the founding of the Federal Reserve as the central Bank of America, and the way it was sneaked through Congress. It is a gripping and frightening tale of how private interests can suborn and corrupt elected governments. It did not go through unopposed, most notably by Senator Lindbergh, who, in an impassioned speech, attempted vainly to show the enormity of its consequences:

> **This Act establishes the most gigantic trust [i.e., monopoly] on earth. When the President signs this bill, the invisible government by the Monetary Power will be legalized .... The worst legislative crime of the ages is perpetrated by this banking bill.**

The bill was passed in large measure through the active support it received from President Woodrow Wilson, and it is noteworthy that later – alas, too late – he had a complete change of heart. Just before he died, he said,

> **I have betrayed my country .... A great nation is controlled by its system of credit. Our system of credit has been concentrated … in the hands of a few men. We have come to be one of the worst ruled, one of the most completely**

> **controlled and dominated governments in the world – no longer a government of free opinion, no longer a government by conviction and vote of the majority, but a government by the opinion and duress of small groups of dominant men.**

Those "small groups of dominant men", which President Theodore Roosevelt before him had called "malefactors of great wealth", were the directors of the nine banks who own the shares in the Federal Reserve of America. It cannot be said too often that the purpose of the Fed, as of any private bank, is to make money for its shareholders. The greatest economic delusion of our time is that the Fed exists for the financial benefit of the citizens of America, whereas its mission is in reality to take as much wealth as possible from those same trusting citizens or, to use the famous words of Colbert, Louis IV's finance minister, to pluck the goose so as to obtain the greatest amount of feathers with the least amount of hissing. The only successor to Lindbergh today is Senator Ron Paul, but he is a voice in the wilderness calling for a currency reform that would put solid assets behind the dollar. His call is too late, in any event, for the American national debt is far beyond repayment. That is the reality which will shape future economic events globally.

A Bank for the World

After conquering the United States through the superbly planned and executed strategy of creating the Federal Reserve and passing it off as a kind of non-bank, one would expect the global ambitions of the Rothschilds and their associates to have moved East and South, to gain control of the central banks of Russia, Japan and Australia. Their attempts to take over banking in Russia, first with the Czar, then with the Bolsheviks, and then by funding the Oligarchs is a fascinating chapter that would take the theme of this website too far afield, for the more important point in the historical expansion of banking is that it metamorphosed in 1944, with the Bretton Woods conference. Convened by President Franklin D Roosevelt when the end of the war was in sight, Bretton Woods brought a new contender for control of world banking on the scene in the form of the American government itself, but sufficiently disguised to conceal the fact.

At this meeting the World Bank and International Monetary Fund (IMF) were set up, ostensibly as arms of the United Nations, but because America awarded itself an overriding vote on directors' decision, it was in theory possible to use both institutions to take forward American global hegemony and set up a dollar empire. It is perhaps strange that almost no one at the time saw the transfer of power that was concealed under the grand term "World Bank", for the built-in majority vote of America, which was in reality the vote of the Federal Reserve and its Rothschild related shareholders, made the World Bank in practice a subsidiary of private banking interests.

One of the few who were aware at the time, was Eddie Ward, the Australian Minister of Labour. His warning seemed at the time mere socialist melodrama, but has since come very close to the truth:

> **I am convinced that the Bretton Woods Agreement will enthrone a world dictatorship of private finance more complete and terrible than any Hitlerite dream. It … quite blatantly sets up controls which will reduce the smaller nations to vassal states and make every government the mouthpiece and tool of International Finance …. World collaboration of private financial institutions can only mean more unemployment, slavery,**

misery, degradation and financial destruction. Therefore, as freedom loving Australians, we should reject this infamous proposal.