

## Staunton TEA Party

1 August 2009

### The Federal Reserve: The World's Greatest Ponzi Scheme

Charles W. Kraut, MBA



*The Washington, DC office of the Federal Reserve*

The Federal Reserve is America's third attempt to create a national bank. Right from the beginning Alexander Hamilton pressed to Constitutional Convention to create one, but the Founders knew better.

Just as this is the third attempt to create a national bank, we are now on our third attempt to create money without a gold or silver backing. Both of the previous Banks of the United States were failures; both the Continental and the greenback dollars failed. The Federal Reserve has topped them all by helping to convert the world's richest nation into its greatest debtor. When they have finished destroying the dollar I hope that Americans will have sense enough to abolish this ignoble experiment and break the shackles that bind us to a worthless paper currency.



*Thomas Jefferson*

*Author of the Declaration of Independence*

*3<sup>rd</sup> President of the United States*

Thomas Jefferson said:

"The incorporation of a bank and the powers assumed [by legislation doing so] have not, in my opinion, been delegated to the United States by the Constitution. They are nor among the powers specially enumerated." --Thomas Jefferson: Opinion on Bank, 1791. ME 3:146

"[The] Bank of the United States... is one of the most deadly hostility existing, against the principles and form of our Constitution... An institution like this, penetrating by its branches every part of the Union, acting by command and in phalanx, may, in a critical moment, upset the government. I deem no government safe which is under the vassalage of any self-constituted authorities, or any other authority than that of the nation, or its regular functionaries. - Thomas Jefferson to Albert Gallatin, 1803

"The trifling economy of paper, as a cheaper medium, or its convenience for transmission, weighs nothing in opposition to the advantages of the precious metals... it is liable to be abused, has been, is, and forever will be abused, in every country in which it is permitted." --Thomas Jefferson to John W. Eppes, 1813. ME 13:430

"That paper money has some advantages is admitted. But that its abuses also are inevitable and, by breaking up the measure of value, makes a lottery of all private property, cannot be denied. -- Thomas Jefferson to Josephus B. Stuart, 1817. ME 15:113

Sixty-third Congress of the United States of America;

At the Second Session,

Begun and held at the City of Washington on Monday, the first day of December, one thousand nine hundred and thirteen.

---

AN ACT

To provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

---

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the short title of this Act shall be the "Federal Reserve Act."*

Wherever the word "bank" is used in this Act, the word shall be held to include State bank, banking association, and trust company, except where national banks or Federal reserve banks are specifically referred to.

The terms "national bank" and "national banking association" used in this Act shall be held to be synonymous and interchangeable. The term "member bank" shall be held to mean any national bank, State bank, or bank or trust company which has become a member of one of the reserve banks created by this Act. The term "board" shall be held to mean Federal Reserve Board; the term "district" shall be held to mean Federal reserve district; the term "reserve bank" shall be held to mean Federal reserve bank.

FEDERAL RESERVE DISTRICTS.

SEC. 2. As soon as practicable, the Secretary of the Treasury, the Secretary of Agriculture and the Comptroller of the Currency, acting as "The Reserve Bank Organization Committee," shall designate not less than eight nor more than twelve cities to be known as Federal reserve cities, and shall divide the continental United States, excluding Alaska, into districts, each district to contain only one of such Federal reserve cities. The determination of said organization committee shall not be subject to review except by the Federal Reserve Board when organized: *Provided*, That the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States. The districts thus

In 1913 as the Federal Reserve Act was being debated in the United States Senate, Senator Charles Lindbergh, Sr. (father of the famous aviator) said this:



*Senator Charles Lindbergh, Sr.  
with his more famous son*

"This Act (the Federal Reserve Act, Dec. 23rd 1913) establishes the most gigantic trust on earth. When the President (Woodrow Wilson) signs the Bill, the invisible government of the Monetary Power will be legalised... The worst legislative crime of the ages is perpetrated by this banking and currency Bill."

Senator Lindbergh was right.

We are being enslaved by the Federal Reserve. Our economy, our freedom, and our way of life all depend upon a sound and reliable currency. Since its inception in 1913 the Federal Reserve has done everything in its power to destroy the value of the dollar to serve its own purposes

In this once-wealthy and powerful country incomes have been stagnant in terms of purchasing power for over 40 years. In the meantime, the costs of everything we buy have multiplied. The government attempts to appease us by calculating the Consumer Price Index, a complete fraud that should deceive no one. The Consumer Price Index is deliberately and grossly understated to prevent us from realizing how quickly our money is losing its value.

Americans are powerless against this relentless destruction of the dollar. Not too long ago one breadwinner in the family was enough to provide an adequate living. Then, that breadwinner had to put in longer hours or take a second job. Soon after, both spouses felt compelled to find employment so that we could provide for our families. Today many families have no hope of sending their children to college without significant Federal funding and numerous student loans, and with the recent stock market crash many are forced to postpone their retirement.

All of these things may be laid at the feet of the Federal Reserve, a tool of the federal government that has greatly aided Congress' desires to spend and re-elect. It was once said that the power to tax is the power to destroy. It can also be said that the power to print money is an even greater power to destroy.

Why do I call the Federal Reserve a great Ponzi scheme? The analogy is not perfect, but it makes a good point. Ponzi schemes give the appearance of respectability. They take in people's money – lots of it. As more people are lured

in some of their money is used to pay off the earlier investors. Finally the scheme is big enough that the promoters steal the money and leave the investors holding the bag.

The United States Dollar has been stolen. Since 1913 it has lost at least 93% of its value. The Federal Reserve is nothing more than a confidence game, and the entire world has been lured into it. We buy the riches of the world with worthless paper as we promise to honor that paper in the future. Under the direction of Ben Bernanke the Federal Reserve has created more dollars than we can imagine, and the Ponzi scheme is almost over. The value of the dollar has been stolen, and it will not return.

Initially the people of the United States were taken in by this scheme. Then, when the United States emerged as a superpower at the end of World War II, the dollar became the world's reserve currency. As the United States changed from a wealthy nation to a debtor nation countries like China and Japan bought trillions of dollars of our paper money. They and all those holding dollars will suffer when the dollar collapses.

Throughout world history presidents, kings, and emperors have systematically looted their countries by debasing their currency. By gradually removing the precious metals or other assets of tangible value from their currency they have enabled themselves to create money out of thin air. There is a chain of events that once begun happens 100% of the time, and the United States Dollar will be no exception:

Whenever a currency is debased and its link to precious metals is cut, that currency eventually goes to zero and becomes worthless. There are no exceptions, but there are dozens of examples.

We deceive ourselves by saying that the United States dollar – or any currency currently in existence – can become the world's reserve currency in the absence of a gold backing. The US Dollar today is the world's reserve currency only because we have successfully jawboned the rest of the world into thinking we will not debase it further. We now have to send our Secretary of the Treasury around the world, hat in hand, to try to reassure those to whom we owe trillions of dollars that they can come in and buy up Chicago, Florida, our remaining factories not already owned by the Japanese or Koreans, or whatever else they want. That's becoming a hard sell after they put billions into companies that later were allowed to fail.



*Franklin D. Roosevelt (courtesy Time Life)*

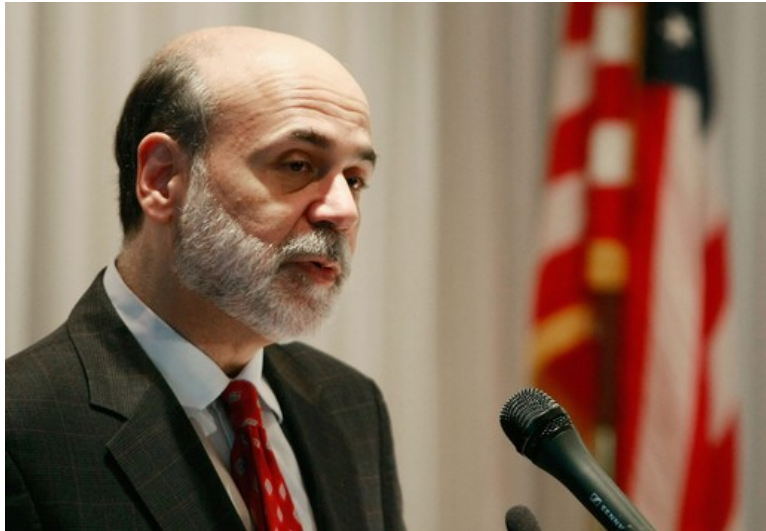
The Federal Reserve came into being at a time when the United States was doing just fine under a gold standard. Slowly and carefully the Fed lobbied to eliminate the gold standard. In 1933, in the depths of the Great Depression, FDR with the stroke of a pen made it illegal for Americans to own gold except for jewelry and certain collectible coins. He also made the United States Dollar unredeemable in gold, thus creating just one more “fiat” currency.



*Richard M. Nixon*

Richard Nixon completed the process of separating the dollar from gold and silver in 1971, enabling the dollar to “seek its own level” in trade against other currencies around the world. This opened the floodgates to inflation. Consumer Price Inflation reached 13.1% in 1979, after Nixon warned the Fed that any level of inflation at or greater than 4% would be disastrous to the economy.

Why would the Federal Reserve destroy the very currency it is charged with preserving? The answer is simple, but frightening. Our government benefits from a collapsing currency. Inflation enables the government to pay its debts more easily. Inflation robs us of our hard-earned savings. No one should have to put their money at risk just to keep its purchasing power. As Americans we have to. If you keep your money in bank Certificates of Deposit, money market funds, or fixed annuities you are guaranteed to lose purchasing power year after year as long as we have inflation.



*“Helicopter Ben” Bernanke, current Chairman of the Federal Reserve*

Why, then, do we treat people like Alan Greenspan and Ben Bernanke like rock stars? Because we have given them so much power over our lives we must curry their favor. How do you feel knowing that Ben Bernanke stands ready at a moment’s notice to drop billions of dollars from helicopters? That statement alone should have permanently disqualified him from the field of economics, and yet he now stands as the most powerful man in the world.

Remember, every new dollar being printed decreases the value of every dollar you own. Print up enough dollars and none of them will buy anything. That is where we are headed.

There are only two courses of action available to us today, and we must pursue both at the same time. Here is what we must organize and compel our government to do:

1. Get Congress to withdraw the mandate of the Federal Reserve by repealing the Federal Reserve Act of 1913. This is not going to happen until after the dollar collapses, at which point Americans will suddenly become a lot smarter (and poorer).
2. At the same time, reinstate key provisions of the Glass-Steagal Act, the “wall” that once separated investment banks from commercial banks. Any analyst like myself knows that if you offer commercial banks the opportunity to loan out infinite amounts of money (which we do under our fractional reserve system) and then allow them to utilize the leverage

available to investment banks, greed will kick in and they will invent products only a Ph.D. can understand. Once you tack on the mantra of “too big to fail” you have created a license to rape and pillage – which is exactly what Wall Street has been doing at your expense.

Here’s what we must do as individuals:

3. Since 40% of all Americans are now dependent upon the federal government and will vote for whoever promises the most benefits, and since 50% of all Americans pay only 3% of the taxes, I do not expect we will reverse these fatal trends in time. Therefore, what you must do is to save yourself, and I don’t mean go out and buy a gun. I’m talking about finding and buying appropriate alternatives to the dollar. I’m talking about storing food and necessities, about producing some of your own food, and doing things that will make you as self-sufficient as possible. Do everything you can to get out of debt – and stay out. Reduce your dependence on all levels of government and prepare for a day when your paper dollars will not buy anything.
4. While you are doing these things, pray that I am wrong and that Americans will suddenly become smart enough to rise up and stop this liberal juggernaut in Washington. Our elected officials aren’t crazy; they’re just doing whatever it takes to gain more power over you and get themselves re-elected. The Federal Reserve as it is being run today is helping them do just that.

There is one more thing I feel I must say. Our freedoms and our way of life are rapidly vanishing as Constitutional government is replaced by the welfare state. If those of us who love freedom can ever hope to live in a nation governed as the Founding Fathers wanted it to be we must unite in the cause of freedom. We can no longer let petty differences in political philosophy prevent us from demanding that our leaders uphold their oath of office and support and defend the Constitution. For far too long those on the left have led us by the nose toward socialism and tyranny by promising us equality and benefits for all. The result has been crime, immorality, illiteracy, bankruptcy, and the substitution of “rights” for freedom.

Ask yourself these questions as you return to your home this evening:

1. Do I value my freedom?
2. Do I really think I will live my life as a free man or woman when so much of what I work for is distributed to those who will not work?
3. Can I close my eyes to what is happening to this great country and say there is nothing I can do to stop it?
4. Do I trust the members of Congress today more than I trust the Founding Fathers?
5. Is my freedom worth my life, my fortune, and my sacred honor?

Thank you very much.