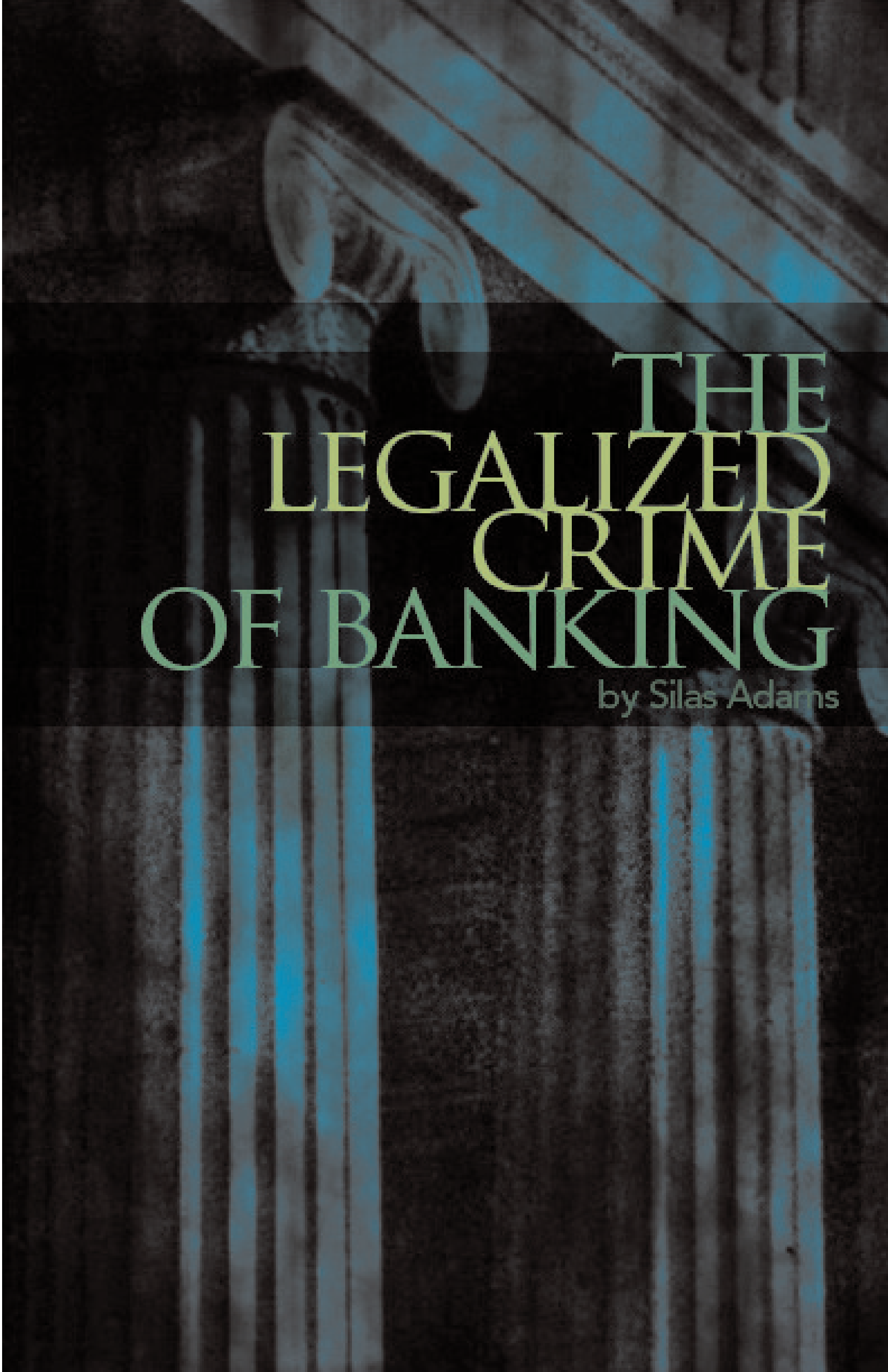

THE LEGALIZED CRIME OF BANKING

by Silas Adams

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GREAT POPULISTS IN HISTORY SERIES

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AUTHOR'S NOTE

THE PAUPER AND THE RICH MAN

The pauper (the Federal Reserve Bank) with assets of $52 billion with no productive know how, and less than 100,000 stockholders, loaned the rich man (The United States government) with well over $350 billion in physical assets plus $250 billion in productive capacity and know how, with 170 million stockholders, $300 billion to fight World War II. Can you imagine the greatest corporation on earth, with 170 million stockholders and assets running over $600 billion, turning to a corporation with less than 100,000 stockholders and assets of only $52 billion to borrow money? Can you imagine Rockefeller saying to his chauffer: "Tom, I am transferring my personal checking account, which is around $1 billion, to your account; you may spend it as you please, provided that when I need some cash, you will hand it to me. Of course, I will give you my note for cash I receive and pay interest on the note."

Well, that is exactly what Congress did in 1913 when it passed the Reserve Act. To fight World War II, we gave the bankers of the United States $300 billion in U.S. bonds that we might use the nation's credit. In addition, we permitted them to take a credit of $300 billion in their reserve accounts. This gave them $2.1 trillion in bank credit. These credits are to bankers what your deposit credits on their books are to you. They can lend it, or buy investment obligations—it is cash to them! So adding the $300 billion in bonds to their bank credit, we find that the bankers (the then paupers) came out of World War II $2.4 trillion richer than when we went into the War. The United States government (the then rich man), thanks to the stupidity and venality of her sons (congressmen), and newspapers and journals, came out of the War $300 billion in debt! And, dear reader, that fable happens to be true.

To my banker acquaintances: I have assailed you in much harsher terms than I do when I think of you as my neighbor. I don't think that you ever stopped to analyze what you are really doing in your banking business. I think you are a gambler at heart, and gamblers have big hearts—Al Capone took from the rich and ministered to the poor; so did Robin Hood—only, dear sirs, you don't minister to the poor.

Many of you have never reasoned that you are the croupiers at the roulette tables, and have been taught that it is part of the game to press your foot on the hidden pedal just in time to win the table's take. Many of you have been stepping on the pedal never knowing that you did; because you were afraid to investigate, fearing that you might find your conscience and streak of honesty too big to let you keep walking on such treacherous ground.

I know that you reason as my good banker friend in Port Lavaca reasoned when he said to me: "You must not forget that there is a great deal of difference between a moral wrong and a legal right." And maybe you have a true picture of banking and its evils, and say with Sir Josiah Stamp, ". . . but as long as the nation will let men do this thing, a man is foolish not to be a banker." I'd lay down my life for your right deeds; I would sacrifice your good esteem that I might combat a wrong. I hope that within the immediate decade, you must cease forever to be bankers; and become what you stoutly maintain you are, "money lenders."

First memorize the succinct, beautifully worded Purposes of Our government, the Preamble to the Constitution of the United States:

"We, the people of the United States, in order to form a more perfect Union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution for the United States of America."

Under the Federal Reserve Banking System, World War II has cost the United States [as of 1958]:

U.S. bonds (a gift to bankers):	$250 billion
New customers' deposits:	$250 billion
Created new bank credit (a gift):	$1,250 billion
Annual interest to date:	$120 billion
Total:	$1,870 billion

By 1980, another $130 billion in interest will make the cost of World War II exactly $2 trillion.

Had Congress in 1933 taken over the creating of money and the keeping of the people's deposits, cashing and clearing our checks, World War II would have cost us just $250 billion. And to date that would have been a savings to the people of the stupendous sum of $1.6 trillion.

And the costs for future wars, and they will always be the creatures of bankers, annually, will be $32 billion. This cost since World War II has approximately amounted to $384 billion, which is more than the total wealth of the United States in 1932.

A PERSONAL NOTE

Fifty-two years ago in August 1905, I went to Abbott, Texas, as principal of the school. Later in the fall the little bank in West, Texas, seven miles away, failed.

This story was told to me: A farmer sold his farm for $3,600 cash. He reached the bank as the cashier was closing the doors. The farmer said, "I have just sold my farm. Here are $3,600—all I own is in my hands. I am afraid to keep it until I go west and buy another farm. Will you open the bank, and let me deposit this money? I owe you $500. I will come in Monday and pay you."

"Sure," replied the young cashier. He reopened the doors, took the farmer's money, gave him a deposit slip, knowing that the bank was busted, and would not reopen Monday. He stuck the money in his expensive pants pocket, closed the doors, and later boarded a train for Dallas, for a week-end of pleasure, as was the custom in those days.

He didn't open the bank on Monday. The bank later was opened, and the vault was clean of cash. A reward was offered for the cashier's arrest and return. A friend brought him in and they split the reward. The youth of the town met the train, and gave him an ovation. A "moot" court freed him.

Depositors lost all. The farmer lost his $3,600. The bank went to the same court and got judgment against the farmer for the note plus interest and costs of court.

When I heard that story, and learned that the law permitted crooked bankers to close their doors, write off every deposit on their books, yet sue those same depositors, if they owed the bank, and get judgment; and the depositors could not sue the bankers and get judgment for the lost deposit-credits; not even when the depositor had put actual cash in the day before the bank closed, as had the farmer, I said to myself, the real me:

"I shall set myself to the task of learning how such a crime against decency, justice and equity could have the sanction of law: why a deposit slip has no standing in court, yet the note a man gave the bank for the deposit slip has; why a depositor cannot sue a busted bank on a deposit slip and get judgment against the stockholders of the bank, while the stockholders can sue and get judgment on the note the depositor gave the bankers in exchange for the deposit slip; why a banker could take a farmer's cash, his life's savings, and abscond legally, then sue the victim on his note and get judgment, yet the depositor had no recourse at law."

So for 52 years the practices of bankers have been deep in my subconscious mind. I have read everything that I could find on banking and money; scanned newspapers and magazines for revealing information. I found that all I read was colored, or half told, that the people might be kept ignorant of money, banking. Bankers misinformed me as often as I asked them for information. I could only observe bankers in action, from the deposit-window point of view, and as a borrower.

A quarter of a century later I had the answer, but I still lacked official confirmation of my discoveries. On May 1, 1939, the Board of Governors of the Federal Reserve System published a booklet of 128 pages—*The Federal Reserve System—Its Purposes and Functions*. I got hold of a copy. It officially confirmed the correctness of my findings.

The Constitution of the United States of America is explicit in its delegation of powers to Congress. It says:

"The Congress shall have power. . . to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures."

After enumerating the legalized crimes of banking, and proving that the coining of money and credit can not be re-delegated to others, I shall outline the plan of returning to the Congress of the United States the creation of our money and the control of the nation's credit. This change will not be felt adversely by the honest, working citizen, and it will greatly improve our economic situation.

It will hurt bankers, stock market gamblers, those who live by their smartness. In the language of Sir Josiah Stamp, President of the Bank of England and the second richest man in the British Empire, as said in an informal talk to 150 University of Texas history, economics and social science professors, in the 20's.

"Banking was conceived in iniquity and born in sin. . . . Bankers own the world. Take it away from them, but leave them the power to create money and control credit, and with a flick of the pen, they will create enough money to buy it back again. . . . Take this power away from bankers, and all great fortunes like mine will disappear, and they ought to disappear, because this would then be a better and a happier world to live in. . . But if you want to continue to be the slaves of bankers, and pay the costs of your own slavery, let them continue to create money, and control credit."

Stop and find your place in our present economic system—that is, are you a beneficiary; or, are you a victim? Are you a gainer; or, are you a loser?

If you work for a living, with hands and/or head, or both; or, work for others for pay, you are a loser, the heaviest of all losers! You toil to provide man all his material wants, or to serve him, and you are paid with a cheap, inflated 25-cent dollar, which we persistently call a 100-cent dollar—a private dollar created by a private corporation. If you have earned your money either by producing something, working for yourself or as an employee, or in serving others, and through thrift and economy you have stored it away for the rainy day; or, if an honest man and would not take anything from another that you did not give in return an equal value of goods and/or service, you are doubly a loser; for the bankers' constant stream of created new dollars pouring into circulation cheapens your dollar, and lowers its buying power. You get only a pound of coffee today for the same money you could buy four pounds of coffee in the thirties. If you are on a pension, or living on your life's saving, even on the coupons you have been clipping from World War II U.S. bonds, you are a helpless loser, because bankers in the last 20 years have reduced the buying power of your dollar to one-fourth its 1935 buying power.

But, if you are a gambler, and live by your wits, play the stock markets and otherwise take usury, take from others without producing or serving others, take that which you have not earned, you are a gainer; aye, more, an enemy of all honest, producing, serving, toiling people. You are the burden that is crushing to the earth the masses.

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WHAT THE LEADERS OF MEN HAVE SAID ABOUT MONEY

In the past those who have tried to change our monetary system, have been "greenbackers," "Free Coinagers," and " 16-to-oners." These reached their highest altitude of absurdities in "Coin" Harvey, who wanted to load the buyer down with tonnages of "Silver Dollars" beyond the power of the transportation system to carry from buyer to seller.

All of them have kept their eyes and their readers' eyes so close to currency (bills and coins) that they could never see either the fallacy of thinking of money in terms of "cash," currency, or of trying to carry on modern business by transporting tons of currency back and forth between buyers and sellers, living in remote points from each other.

But it has been necessary to keep the people believing that cash is the real money of the nation in order that bankers may continue to hide behind the lie that they are lending the depositors' money. That they have had many columns of deposits, but only a fragment of the total deposits to the credit of all of the people, appears in the only two items mentioned in their "meaningless public statements."

You will find listed "Demand deposits, subject to checks" and "Time deposits against which no check can be drawn." The totals of these two deposit accounts, let me repeat, are miniature in comparison to the total of other accounts, which are hundreds of billions of dollars to the credit of Bankers (the bank), of the rich who have non-checking accounts of the saving institutions, of the many lending agencies.

Then there are billions in the form of investment obligations (United States bonds, Promissory Notes, Mortgages, Deed of Trust, etc.) which may be quickly transmuted into deposit credits, subject to checks.

And these hundreds of billions of deposits and investment obligations (nascent money) are money, and may be used in the buying of anything of value, services and pleasures. They lie there, for the most part, dormant, ready to emerge from their hibernation to crowd the production dollar, the earned dollar out of the markets. But let's quote some of these men who have talked about money, banking:

Rothschild said:

"Let me have the power to issue and control a nation's money, and I care not who writes its laws."

He was a top stock market gambler, and loved the game because of its hazards and its easy takes for the ins.

Jack Woodford said:

"As an ex-banker and one who has scuttled quite largely about this country of ours, I give you my solemn word of honor that I have never seen any other class more corrupt, conscienceless, and thieving than bankers."

Congressman Wright Patman said:

"The government, under the Constitution, has the power to create all the money. It issues both money and bonds, and sells the bonds to the bankers that create deposit money. If banks need the cash to pay the depositors, the Treasury supplies it free. In that way, Congress has farmed out to private bankers the nation's credit free, and Congress's power to create money, the greatest and most profitable privilege our nation had, absolutely free; and of course, unconstitutionally.

"Congress has farmed out to selfish private banking corporations the credit of the nation free, and empowered them to create all of the people's money. Some day the American people are going to blame this 1943 Congress for not changing the system at this time as we are entering on a $300 billion war program."

Mr. Eccles, then the Chairman of the Reserve Board, said in replying to a question asked him when he was testifying before the Ways and Means Committee of the House, in February 1943:

Mr. Patman: "Mr. Eccles, the $20 billion of United States bonds the bankers now own—they created at the time they bought the bonds the money that they paid for them did they not?"

Mr. Eccles: "That is the function of a bank. When a bank makes a loan to a utility, or a farmer, it creates the money that it lends at the time the loan is made."

Congressman Voorhis: "The government should create money, not lend it; banks should lend money but not create it."

Congressman Callaway: "I voted against the Federal Reserve Act because it gives the bankers the power of life and death over every person in the nation."

Nicholas Biddle, president of the Second United States Bank: "Andy, I can make or break any business man in the nation."

Andy Jackson, the intrepid Indian fighter, asked, "And how can you do that Nick?"

Nick replied: "By extending or withholding a loan."

Andy shot back: "Then, Nick, by the eternal, I'll kill your bank"; and he did.

And that was exactly what he wanted Andy to do because Nick's heart was set on private banking; and from that calamitous act of Andy in the 1830's, the nation has lived a hectic life at the mercy of private banks that would organize, issue money far beyond their ability to "redeem," use this money to buy property and pleasures, then bust, leaving the depositors broke.

Sir Josiah Stamp, while in Austin in the 20's, in an informal talk to about 150 professors of the University of Texas, said:

"Banking was conceived in iniquity and born in sin. . . . Bankers own the earth. Take it away from them but leave them the power to create money, and, with a flick of the pen, they will create enough money to buy it back again. .. . Take this great power away from them and all great fortunes like mine [he was the second richest man in Great Britain, and president of the Bank of England] will disappear, and they ought to disappear, for then this would be a better and a happier world to live in. . .. My sons are well educated; they should not hesitate to take their places in the ranks of humanity, and forge their own fortunes. . . . But, if you want to continue to be the slaves of bankers and pay the cost of your own slavery, then let bankers continue to create money and control Credit."

Senator Robert L. Owen of Oklahoma in a preface to a book written by Winslow and Brogham, wrote:

"It would appear that there could be no subject of more supreme importance to the people of the United States than an understanding of money and its powers. It is remarkable, and a fact of surpassing importance, that the provision of the Constitution of the United States authorizing Congress exclusively to coin money and regulate the value thereof has been overlooked by American statesmen. Their failure to perceive the deep significance of this language of the Constitution has resulted in the indefensible expansion and contraction of money by private persons, bringing on monetary depressions periodically."

Mr. Owen was chairman of the Senate Banking Committee in 1913, and managed the Federal Reserve Act legislation. It is strange that he, a then "statesman," overlooked the Constitutional provision that said definitely that Congress could not surrender its powers to a private corporation.

President Lincoln, after he had been compelled to give Great Britain control over the finances of the United States in exchange for Great Britain's financing the Civil War, and following the banking act of 1863, said:

"As a result of the Civil War, [banking] corporations have been enthroned and an era of corruption in high places will follow and the money power of the country will endeavor to prolong its reign by working on the prejudices of the people until wealth is aggregated in the hands of a few, and the republic is destroyed. I feel at this moment more anxiety for the safety of my country than ever before, even in the midst of war."

Bismarck said:

"The death of Lincoln is a disaster for Christendom. I fear that foreign bankers with their craftiness and tortuous tricks will entirely control the exuberant riches of America and use it to corrupt modern civilization. They will not hesitate to plunge the whole world into wars and chaos, in order that they may inherit the earth."

How prophetic. The three world wars, and this cold war; and the present stringency of credit, invoked by the Federal Reserve authorities.

The President of the American Bankers Association, speaking in their convention, in 1931, almost two years after they pulled the stock market down into one of its worst crashes said:

"We the men in this hall, who control the economic destiny of the nation, knew in 1927 that this terrible depression was coming, and we did nothing about it."

Of course they did nothing about it. They planned it, and carried it to a successful (for them) conclusion.

And he could have quoted the American Bankers Association as having said, in 1891:

"We authorize you (our loan agents in the western states) to loan funds on good real estate to fall due not later than September 1, 1894, and at no time thereafter. And on and after that date we will not renew our loans under any consideration. But on September 1, 1894, we will demand our money. We will foreclose and become Mortgagees in possession. We can in this way take two-thirds of the farms west of the Mississippi and thousands of them east of the Mississippi as well, at our own price. We will own three-fourths of the farms of the West and the money of the nation. Then farmers will become tenants as in England."

Comment: Thus they planned panics of 1893, and reaped harvests of farms in 1894, as planned in 1891. In fact every panic, "depression," and the present threatened "recession," which will be in the language of a Dallas banker, "a honey," was blueprinted and managed by the bankers of America directed by the bankers of London, Berlin, Paris.

The American Bankers Association, one week after Grover Cleveland was inaugurated, on March 11, 1893, sent the following letter to all bankers:

"Dear Sir: The interest of National Banks requires immediate financial legislation by Congress. Silver, silver certificates and U.S. Treasury notes must be retired. National Bank Notes on a gold basis must be made the only money. This will require the authorization of $500 million to $1 billion new U.S. bonds as basis of circulation. You will—must retire at once one-third of your circulation, and call in loans. [They got this in 1934! They never quit.]

"Be careful to make a monetary stringency among your patrons, especially among influential business men. Advocate extra sessions of Congress to repeal the silver purchasing clause of the Sherman Law. Act with other banks of your city in securing a large petition to Congress for its repeal. Use personal influence with your Congressmen, and particularly let your wishes be known to your Senators. The future of National Banks, as fixed and safe investments, depends on immediate action, as there is an increasing sentiment in favor of government legal tender notes—bills and silver."

Ex-President John Adams wrote to his friend Ex-President Thomas Jefferson, and said: "All the perplexities, confusion and distress in America arise not from defects in our Constitution; not from want of honor or virtue, so much as from downright ignorance of the nature of coin, credit and circulation."

Vice President of the Columbia Trust Company Siegfried Stern said: "Finance, money, credit, international banking knows no boundaries of nations, no tongue, no color, no creed. It is the universal language of exploitation and tyranny. It robs the American farmer, the Welsh miner, the Czech glass workers, the toiling, serving and producing men, women and children, with equal complacency. It knows no mastery but its own, no service but to itself, no means but money: it will brook no opposition."

John Skelton Williams, comptroller of the currency, said to the Deflation Committee of the American Bankers Association, in 1920, in protest of their resolution to contract money and credit (exactly what bankers of 1957 are doing):

"Don't you know that this will break every little bank in the country?"

And the bankers replied cold-bloodedly: "They ought to break; there are too many of them."

But, he retorted:

"Don't you know that it is going to ruin lots of farmers?"

Again they replied cold-bloodedly:

"They ought to be ruined; they are getting so prosperous (following World War I) they won't work."

You only have to recall the late 20's and 30's to remember how thoroughly the bankers busted the little banks, the farmers, and the small business men.

Henry Ford said:

"Here is a nation that might be the richest nation on earth, when actually we haven't enough of anything, because there is not enough production. The need is here. The ability to produce is here. The people are eager to produce—willing to work. The stoppage is the system that puts profits before production—and that is the money system."

A final personal story: A local linotype operator in Austin, who is steadily employed, got a notice from a local finance company (and all of them are children of bankers, through whom they shunt their mountains of deposit credits in their surplus and undivided profits columns) informing him that he had a $400 loan without investigation or bother, for him, if he would come in and claim it. Well, the working man's family never have their wants satisfied; so he went down and was met with glad hands and unction dripped from the lender's jowls.

Without "investigation" for the lender had done that, finding the man regularly employed, a loan agreement (not a note) was laid before him, for his signature, with the assurance that he (the lender) would complete all the papers, and send them to him in a few days. The man couldn't suspect such a nice man being tricky; so he signed the loan agreement, for that is what it amounted to, and the lender handed him a check, and wished his victim on his way.

Said the borrower to me: "In a few days I got the papers and found that my life had been insured, the debt had been insured, and costs of making the loan had been added; and instead of my loan agreement calling for my payment in installments of $400 and interest, it called for a total payment of $676 in installments," and that loan agency is a department of an Austin bank.

And my final quote from our Constitution:

Article 1. Section 1: "All legislative power herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and a House of Representatives."

Section 8: "The Congress shall have power . . . to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures."

Section 10: "No state shall . . . coin money, emit bills of credit, make anything but gold and silver coin tender in payment of debt."

Then, constitutionally, there could be no state bank chartered.

Congressman Wright Patman has said:

"The government of the United States, under the Constitution, has the power, and it is the duty of the government, to create all money. . . . This being true, why should Congress sit idly by and allow the [private] banks to expand $20 to $1, or even $50 to $1, in order to finance the war and the other costs of government when it is nothing more nor less than Congress permitting the credit of this nation to be farmed out for the selfish benefit of private banking corporations? The Treasury issues both money and bonds. Under the present system it sells [deposits] the bonds to a [the] bank[s] that creates money [bank deposits]. Then, if the bank needs the actual money, the actual printed greenbacks [or coins] to pay the depositors, the Treasury will furnish that money to pay the depositors. In that way Congress farms out the use of the government's [nation's] credit absolutely free.

"It is the duty of Congress to issue—coin or create—money and regulate its value under the Constitution. This great privilege has been farmed out free to the privately owned banks by Congress. This privilege is worth billions of dollars a year to those exercising it under laws passed by Congress.

"The United States Treasury prints and issues both the interest-bearing bonds and the money [bills and coins] which is another form of government obligation, not interest-bearing.

"The Reserve banks are owned by the private commercial banks, including the bank that bought the bonds. The Federal Reserve banks are federal in name only; they are owned lock, stock and barrel by the private commercial banks, which have invested a very small sum of money upon which they get 6% per annum.

"Remember, the U.S. Treasury has caused the Bureau of Engraving and Printing to print and deliver to the Federal Reserve Bank a million dollars in U.S. government bonds, interest bearing, and then it added a million dollars in currency. Each is a government obligation. The Federal Reserve Bank delivers to the local commercial bank the million dollars in bonds and obtains for the government a million dollars in bank deposits which it checks out to pay its debts. Then the Reserve Bank delivers to the local commercial bank the million dollars in cash.

"The present banking system, thru the use of the government's credit, as now [1943] proposed to finance the war can issue more than $240 billion in money, and every bit of it will be issued on the banks' $8 billion capital and surplus and the government's credit. Of course, it will be the government's credit that will make it secure, as the $8 billion will be insufficient for that purpose. . . . The government pays interest for the use of its own credit.

"Who created such a system that is costing the taxpayers $1,750,000,000 this year [1942] and will cost the taxpayer $4,500,000,000 a year [years and years ahead] when our anticipated expenditures for [our] war purposes are made? The answer is that such a system was built up over a long period of years [from 1781 to 1942]. Congress [has] passed monetary laws without giving a great deal of attention to them, being told [by bankers who had written the bills] that money was [is] a mystery and that few people understood it and those understanding it were the ones wanting the laws. It was [and is] smart [alecky] for a congressman to say, 'All I know about money is that I don't have enough of it,' or some similar crack that invariably drew laughter and applause, and the bill was passed [practically as the bankers wrote it]. If some person who had given the subject thought and consideration attempted to show how the credit of the nation was being farmed out free to privately owned commercial banks, he could be silenced very quickly by a whispering campaign that he was a monetary crackpot, or a greenbacker, who wanted to flood the country with worthless printing-press money. Then, with a few references to continental currency, fiat money, and German inflation, the bill was sent on its way. All such bills were referred to as a bill to further strengthen our sound currency.

"I am opposed to the government, which has the sovereign and exclusive power to create money, paying private bankers for the use of its own money. The private bankers do not lend their money to the government; they lend the government's money to the government, and collect interest annually. I want to say that the highest authority and best in our government, the president of the Federal Reserve System, the secretary of the Treasury, as well as all informed people, admit it. The banks say they lend the depositors' money; 'we're responsible for it, and if we don't get any interest for its use, we just won't buy any bonds.' But they know that is not so for the president of the Federal Reserve System, Mr. Eccles said, 'We create credit to buy bonds. That is all we have ever done. That is the way the Federal Reserve System operates. It creates money.' The secretary of the Treasury, Mr. Morgenthau said: 'When commercial banks buy bonds they do not pay for them with real cash taken from their vaults [nor out of their capital or surplus—out of no existing funds], but by placing on their books newly created bank deposits to the credit of the government.' "

I was reluctant to admit that the wrongs I found in the West bank were universally practiced; yet I had heard all of my life of banks closing their doors, and the depositors losing all; then came the deluge in 1933, just 20 years after the passage of the Federal Reserve Act, when every bank in the United States closed; and while the depositors did not lose all, millions were lost to them.

Charley Dawes, ex-vice-president of the United States, and at the time head of the Reconstruction Finance Corporation, hung to his post until he was granted a $90 million refinance loan to resurrect his Chicago Bank.

Then is when Congress should have said to the banking boys: "We gave you every law for 100 years that you wrote and asked us to pass. Finally in 1913 we gave you the Federal Reserve Act, on your assuring us sound money, panic-free banking methods, and top to bottom prosperity for the people of the United States would follow. But here you come up after a 20-year trial under this act, ask the president by executive order to close all banks for re-organization and 'getting-our-breath' again.

"We shall return the creation of money to the hands of Congress where the Constitution reposed it; and take over the mechanics of money (keeping of the depositors' accounts, cashing and clearing their checks), and return you boys to the actualities of money lending: you will lend only the money you have to 'the credit of yourselves on the books of the United States depositories,' which we shall scatter over the United States as prodigally as post offices."

After all this had taken place, and I had been crying for years that all banking laws are unconstitutional because the Founding Fathers said specifically:

Article I, Section 8: (Sixth Power) "The Congress shall have power . . . To coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures.

And in Section 10: "No state shall enter into any treaty, alliance, or confederation, grant letters of marque and reprisal ; coin money; emit bills of credit; make anything but gold and silver coin a tender in payment of debts. . ." Therefore, no state or private banks.

I want to prove to you with facts and figures, and documentary evidence, that our banking system is wholly wrong, unconstitutional, and wholly bad; then I want you to understand that bankers, in order that they might continue to profit through their power to create money and control credit, have been doing three indispensable public services: (1) creating money, (2) keeping the depositors' accounts, and cashing and clearing their checks, and (3) lending money.

The first two are constitutional functions of Congress, the third is a private property right. Return to the Congress the "coining of money," and its control that it may regulate the value of money, and add the mechanics of money as developed by the Reserve System, and we will have the safest, soundest, most elastic and fluid money the world has ever known.

Then you have no bank failures, for there will be no banks—there will be only U.S. Treasury Depositories; and bankers will then become just money lenders, not money creators.

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MONEY—OUR GREATEST PROBLEM

Being convinced that the greatest problem before the people of the United States is money—its correct functioning—I shall undertake to give you a picture of money as it now functions, and then suggest a remedy. The entire discussion shall be from the standpoint of a depositor-borrower, and I shall seek to make it a story that the man on the street may understand.

No organic body can survive, or remain in a healthy state, unless its bloodstream is filled with pure blood, bearing in its liquid stream the proper food elements, and in the proper proportions. Its tissues starve without the proper amount of food supplied constantly. Whether the body is active, or in a passive state of complete relaxation and rest, the bloodstream must never stop for a moment.

Civilization is an organic body, composed of millions of cells (each a human being), just as the body of a man is composed of millions of cells. Just as the cells of the human body are held together by a centripetal energy, the law of cohesion, so are the cells of the body of civilization, society, held together by a centripetal energy, adhesion, a more flexible law than the law of cohesion. And, just as a cell of the human body, failing to receive constantly an adequate supply of the proper food, failing to receive the constant renewing of its cells by the bath of life-sustaining food, diluted in the bloodstream, dies and weakens that portion of the human body; so with the cells of civilization, society, when they fail to get their required bath of life, sustaining blood, bearing in its liquid form food for the cells.

Some 250 years ago Pope said: “Money is the lifeblood of civilization,” while Locke, even earlier, said, “If exportation will not balance importation, away must go your silver again, whether monied or not monied." In those two concise, cogent statements, we find the complete purpose and danger of money.

Just as the bloodstream of the human body must perform two definite labors, if the body is to remain normal and healthy; so must the bloodstream of civilization. First, the bloodstream must carry the proper food in the proper amount to every cell of the body. Second, the bloodstream must carry away worn out and/or unneeded particles of food and of the body.

To carry this simile further: while money is the lifeblood of civilization, the banking system is the arteries and veins of the body of civilization through which this lifeblood flows. The two functions of banking—the keeping of the people's money on deposit together with the cashing and clearing of their checks, and the lending of money—fit nicely into the figure of speech. The Treasury of the United States, under the Constitution of the United States, is the heart of the blood system, while the banks are main arteries, and veins, and the depositing of money in the banks and the checking it out, is the network of capillaries breaking down the bloodstream and taking food to every particle of the body. This the banks fail to do consistently. Money lending is an aid to the process of growth, which adds new tissues to the body by swelling the bloodstream.

In other words, every human being in a social state has direct contact with the bloodstream, money, the use of it, that he may clothe, feed, shelter and entertain himself; and, conversely, as often as he has an excess of any human necessity or luxury, he must dispose of it and should receive for it money that he may keep his money stream normal and healthy; that he may spend money for what he has not. He must receive money for his excess, and the ideal condition obtains when he receives for his excess goods the exact amount required to buy the goods he lacks.

If he receives more than he spends, he shunts from the bloodstream that much which, if continued, will pile up ganglions of dead capital; and, just as with the human body, tumors, often cancerous, will form and interfere with the normal functioning of the entire body of civilization. Or, if he spends more money than he receives, soon the bloodstream will fail to carry to him, or another human being, maybe many, that food which their bodies must have if they remain normal and healthy. Just as tumors on the human body result finally in death to the entire body, unless expert surgery is employed; so does a tumor on the body of civilization tend to produce the death of civilization, unless expert surgery is employed in its removal.

If one segment of civilization, say a nation, sends out more money for goods than it takes in for goods sent out, it must ultimately find its bloodstream dried up, resulting in the death of that segment. And should it receive more money than it sends out, then tumors will form, and only expert surgery will prevent death.

In other words an excess of money is just as certain death to a normal and healthy human being, or to a segment of civilization, and many of its cells, as is a lack of it. Then our problem is to ascertain how we may keep the bloodstream of civilization filled with the proper amount of lifeblood: the needed portion for the cells' food supplied the outworn and unneeded particles removed: one building up, the other removing the debris.

That problem can and must be solved. It can and will be solved by making proper adjustments in our modern money system. In these pages we shall undertake to indicate that solution.

For 168 years banks have been using two very unlike dollars: the earned dollar and the phoney dollar.

The earned dollar was silver and gold coins. The miner labored long and hard to mine and separate the gold and silver from the dross. He took it to the government. The government minted the gold into coins, and returned them to the miner at no cost to the miner—the "free coinage" practice. The government could well afford to do that, because it provided the government with metals which were in common use as money and they, in this act, obeyed the demand of the Constitution that the "Congress . . . shall coin money, and regulate the value thereof." They fixed the value of the coin at approximately the market value of the metal.

GOLD AND SILVER COINS WERE EARNED DOLLARS.

But finding the quantity of them too small, the government, at the behest of bankers, began the practice of printing gold and silver certificates. This was not a thing of value, not a product of labor in the truest sense of the word, but a phoney "gold" and "silver" dollar added by the government to swell the volume of money. It proved to be a wise thing to do under existing conditions; and since it was done by the government for the people it was an act of the people, and immediately on the certificates being paid out to customers of the banks, and paid for products of labor, they became earned dollars. But when private banks, then national banks, then Reserve Banks began to flood the country with private I.O.U.s, the earned dollar dropped into a very minor role in the money markets of the world. The earned dollar was just used for pocket and cash register change.

Had the government retained control of money and credit, and issued all paper money, and added all deposit credits on the books of the banks, limiting bankers—money lenders—to the lending of the actual deposit credits they had in their own banks, together with such deposit credits as customers of the banks might have subrogated to them (as time deposits) no harm would have been done; but when the Reserve Act made corporation stock basis of bank reserves, which in turn became the source of bank credit, which was loaned to customers and thereby transformed into deposits, transferable by check with which customers of banks made over 90 percent of their monetary payments, the phoney dollar, the unearned dollar practically crowded the earned dollar out of the picture, and bankers were given the power of life and death over every person in the United States, by extending or withholding credit.

Producers of the material things people want and buy, together with those who serve others for hire, came up with their earned dollar, which amounted to a few billions, while the bankers shoved into the volume of money trillions of phoney dollars, which have competed with the earned dollar in the markets of the world. It reduced the earned dollar's buying power almost to nothing, and left the producer forced to continually fight for more pay that he might meet the high prices the phoney dollar has forced the sellers to demand.

Many definitions of money have been used, but the most accurate definition is "a medium of exchange."

In its true sense money is anything the seller will receive from the buyer in payment for his goods and/or services. It is always a promise to pay. In fact, money is a note the seller holds against the buyer.

But, before you may dignify a buyer's promise to pay as money, the promise must have the endorsement of the government, that the seller may have the government's guarantee that the promise to pay will be paid in full, and received by any seller. Therefore, the credit of the nation must be pledged behind every dollar that the people may use and be assured that the money will be acceptable to all sellers.

Originally, our government minted gold and silver coin, products of labor, which had an intrinsic value, that is, a market value approximately equivalent to the stamped value of the coin. So the "guarantee" of the government was not imprinted on the coin, because the holder of the coin knew that the coin itself was worth the dollar; and that all sellers would receive it in payment for goods without question.

But as buying and selling increased, and the difficulty in keeping (from robbers) the gold and/or silver, and the transporting of it from buyer to seller became more and more difficult and hazardous, and even the quantity of it became inadequate, the government began to engrave paper to be used in addition to coin.