

system creates money on IOU's that have not been paid, then new IOU's are created on top of that, all out of thin air...more like smoke and mirrors.

WOULDN'T THE SYSTEM COLLAPSE?

Absolutely. It is on the verge of collapse now, and has been for a great many years. Only a finite amount of resources exist on the planet overall, and they cannot sustain a system of perpetual never ending debt.



“Anyone who believes exponential growth can go on forever in a finite world is either a madman or an economist” –Kenneth Boulding

WHAT CAN STOP THE COLLAPSE?

Well, the system itself will not change by making minor adjustments or by flooding the market continuously with worthless money as has been the policy of inflationary monetarist on the Federal Reserve Board. Remember, the definition of insanity is doing the same thing over and over again and expecting different results.

The truth is the whole system must be abolished. A free market cannot be run on a system of debt, remember, scarcity is what gives anything its objective and nominal value, and infinite paper is inherently worthless, just as unchecked electronic account balances are.

Just like free individuals, a government should not live beyond its means, because debt is equal to slavery, or indentured servitude at the very least. Individuals should not be in debt by virtue of debt money, than you serve the government, instead of the government serving you, as intended by the Founding Fathers and the Constitution.

WHAT CAN YOU DO?

Join us for the “End the Fed” protest on November 22, 2008.

Find like minded individuals at the Campaign for Liberty, and participate in making a real positive difference for the sake of our Republic.

Visit and join these websites:

www.campaignforliberty.com
www.nyccl.com
ronpaul.meetup.com/50/
www.manhattanlp.org
libertarian.meetup.com/324/
www.operation-liberty.com



A Short History of Money and Banking

By Isaiah Matos

<http://operation-liberty.com>

May2008

OPERATION-LIBERTY.COM

A short history of Money & Banking

A citizen's guide to
Monetary policy

WHERE DOES MONEY COME FROM?

Do you know where money comes from? Not where it's printed, but where does its actual value as money come from? Don't be shocked if you don't know the answer, chances are college graduates and even bankers don't really know where money comes from. The short answer is it comes out of thin air...like magic.

Sounds crazy, doesn't it? You must be wondering how it's possible, well the truth is there is no mysticism, but money comes from debt...your debt. Let's look at a little monetary history to get a better idea what money really is.

ISN'T MONEY SUPPOSEDLY BACKED BY GOLD?

Well, yes, originally money was backed by gold. Before there was ever such a thing as money people would trade or barter. Bartering works single trade level, say if I had sugar and you had coffee, and we wanted to trade. But what if I had sugar, and I didn't want coffee, I want milk instead? Then you would have to trade your coffee for milk, and then make a trade for my sugar. Yet what if the milkman doesn't want coffee either? You can see how complicated bartering can be.

Humans realized early on that they needed something to facilitate trade, and that is when they invented money.

Anything can serve as money, but most civilizations came to rely upon silver and gold,

due to its finite supply, durability, and subjective value.



HOW DID GOLD TURN TO PAPER?

Originally, the goldsmiths of Europe also held the gold deposits of their customers in their vaults for a small fee. In exchange, they gave their customers a receipt or "bank note" to facilitate the carrying around of heavy metal coins. Soon the smiths realized that they could make loans, by printing notes falsely, not backed by the actual amount of gold they had stored. This scheme was kept up until the depositors caught on and demanded their deposits, creating a run on the bank.

Throughout history, bankers have created inverse pyramids on top of their store of reserves or deposits. This is called fractional reserve lending. However, until the last couple of centuries, the bankers were subject to bank runs, so they had to guarantee a proportionate amount of reserves were in stock lest they go bankrupt.

HOW DID BANKS MAKE THEMSELVES IMMUNE TO BANK RUNS?

Too immunize themselves from bank runs, and make sure they always remained solvent, the bankers manipulated governments into creating a "Central Bank" as the lender of last resort. In America, this is the Federal Reserve System, a system controlled by private banks, given a

complete monopoly on the issue of money since 1913.

Because the banks no longer needed a fraction of reserves because the Fed would always bail them out of a jam, the banks were encouraged to put all their remaining deposits at the Fed. Additionally, President Roosevelt confiscated all American Citizens gold during the 30's and President Nixon made paper money irredeemable for gold bullion to foreign governments.

WHY DID THEY HOARD ALL THE GOLD?

The Fed hoarded all the gold in order to serve its ultimate goal, unchecked monetary expansion and inflation. Let's see how this works:

First, the Fed buys government bonds, with a check it writes out on itself (typically an electronic data entry). Second, it takes this bond and pyramids its holdings by 9:1, and then gives out this inflated amount to the commercial banks as their reserves, which the banks in turn Pyramid at 9:1, essentially making about 100 times the money the Fed bought in bonds. Then the banks loan this money to you and I, as mortgages and car loans. When the banks have our signed mortgages, they now used these IOU's as more deposits, and then create more money on top of mine and your debt.

If it doesn't make sense, that's a good thing, cause it really doesn't make any sense at all. First, the original check issued by the Fed to buy bonds was written on itself, with no value except that the Fed says its money. Second, the inflationary effect is endless, because as the