The Story of Money

by Barrie Konicov

Here's a fairly simple introduction to the concept we currently call "money". This article expresses a fairly common litany of complaints against our modern money system. The essence of these complaints is based on the facts that: 1) American money is still legally defined as a tangible, physical mass of gold or silver; 2) the power to coin real money or print paper money is a grant of unparalleled political power; American money was originally "made" by common people (not by government or bankers) who mined gold or silver from the ground (it was merely "coined", certified as to weight and purity by the U.S. Mint); and 3) modern American paper currency has no tangible value and yet "costs" the American people a great deal in terms of real, tangible wealth. Our money system is not only fundamentally unfair, it's fundamentally dangerous.

Reflect for a moment on the nature of money, wealth and prosperity. The more time you reflect on these subjects, the more varied and abstract your thoughts will be. If you consider our modern "money" for long, you'll see that its value is determined by *you*, with every transaction that you enter. Moreover, the value of our "money" is magnified by the number of zeros on the bill, and paradoxically, a zero is nothing.

What we call "money" is not true money and the only value it has is the value you and I give it. The pieces of paper you and I pass around are Federal Reserve Notes. They look like money to us because we've been told that they are money and they spend like money, but they are not real money. Instead, they are instruments used to enslave us. Unless we collectively wake up to the reality of money and our government, we are in for a huge upheaval.

Money is meant to be a medium of exchanging value for value. But the creation of money is in the hands of individuals who control us by the use of debt. There is a way out of the debt system for all Souls willing to take control of their lives and to stand up for themselves. But before we can solve the problem, we must first understand how paper began to circulate as money:

Imagine living in England around 1660, when the only money is gold or silver coins minted and put into circulation by the king. When the king is short of gold or silver and in need of something, he adulterates the money by diluting the gold with copper. The adulterated coins are the same size as the original coins, but contain less gold. If his subjects refuse to accept these adulterated coins, no matter. The king merely has his court rule that the money is worth whatever he says it is worth. After all, he is the king.

Imagine you've worked hard and saved some money (coins). Where will you put that money for safe keeping? In most communities there is a goldsmith who has a large iron box where he keeps his gold and silver. You ask the goldsmith to keep your gold and silver in his safe. He agrees and you pay him a fee for his service. As proof he has your gold and silver, he gives you a receipt.

The next time you want to buy something, rather than first getting your gold coins from the goldsmith and then buying whatever you want, you use your gold receipt. It's quicker and easier. As long as the seller can go to the goldsmith and redeem the certificate for gold, everything works fine. This is how paper receipts for coins began to circulate as if they were money.

Now, place yourself in the position of the goldsmith. How long would it take you to figure out that very few people ever come at the same time to redeem their gold certificates? Maybe one day, like the king who adulterated his coins, you find yourself short of gold and silver. Could you say No to temptation, or would you tell yourself, "I'll issue a gold receipt without any gold to back it up because, after all, who will check up on me? Besides, I'll have the gold in a few days to make it right."

You quickly learn that spending your own gold receipts causes certain unsettling questions to be asked. As people realize there are dozens of *your* gold receipts in circulation, they begin to wonder how a simple goldsmith came to own so much money. You come up with a new plan that gives you something for nothing but doesn't make it too noticeable. Your plan is simple: instead of giving a receipt for gold deposited, you *loan* gold receipts to individuals who've made no gold deposit in return for interest on the receipts. As long as you don't get too greedy, you can get "something" (interest) for "nothing" (the borrowed paper receipt for un-deposited gold). Soon you and other goldsmith/bankers are lending four times as many paper receipts as you have gold deposits.

This process of the goldsmith/bankers got a boost when the king of England needed a great deal of money to fight a war. The king turned to William Paterson and his friends who pooled their resources and came up with £72,000 in gold and silver. But instead of lending the gold and silver directly to the king, they formed a bank and printed paper receipts equal to almost seventeen times as much as their gold and silver reserves. They lent the king £1.2 million at 8.33% annual interest. Through this "fractional reserve banking," their yearly interest was £100,000 on their original £72,000 in gold and silver – that didn't even leave their bank! Although their 8.33% interest seemed reasonable when calculated on £1.2 million in *paper* money receipts, the true interest (calculated on the original £72,000 in gold and silver) was almost 140%! If the king understood, he didn't care; he had a war to fight. After all, he would simply raise the taxes on his subjects to pay the interest (in real money; gold and silver coins).

Paterson and his friends were protected. He had the foresight to lend his paper receipts to the government. Since these receipts were needed to fight a war, the king couldn't allow them to fail. He declared them "legal tender". These receipts were now regarded as the *same* as the gold which they merely *represented*. A new "golden rule" came into being: Those that have the gold, *rule!*

Since paper money first began circulating, the situation has changed little. When the federal government wants more money it borrows it from, and through, the private banking system, the Federal Reserve. The owners of the Federal Reserve are in no need of gold or silver to back up their loans to the government. Their money is "legal tender". Unlike Paterson's time, there is no gold or silver in the system. The bankers are still receiving something for nothing. And you, as a subject, give the bankers one-third of your productive efforts when you pay federal and social security taxes.

Most everyone knows that our currency once had gold and silver backing. Some people believe the gold and silver may still be there. But most people don't have a clue that a very few rich individuals control of this country through their private ownership of the Federal Reserve Banks.

To understand what is happening with our money today, we need to refer to Article 1, Section 8 in the US Constitution:

"The Congress shall have Power to coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures." It is important to understand that the, "power to coin money," is just that, *coin*, not "print". Because if you have the power to "print" money, you end up with paper money that is worthless – just as worthless as the English goldsmith/bankers' *receipts* for money.

To ensure that no one but Congress had control of this country's money, the Founding Fathers also added Article 1, Section 10 which reads: "No State shall . . . coin Money; emit Bills of Credit; make any Thing but gold and silver coin a Tender in Payment of Debts." With these two articles, the Founding Fathers felt they had ensured the stability of the country's money supply.

In 1792, Congress passed the first Coinage Act which set the Standard Unit of Value and the ratio of gold to silver. A dollar was defined as 24.8 grains pure 9/10 fine gold or 371.25 grains .999 fine of silver.

Several times in our country's history Congress enacted laws that violated the Constitutional provisions governing money. The last time Congress unlawfully turned over their responsibility to manage the country's money supply was with the enactment of the Federal Reserve Act in 1913. For a period of time, the Federal Reserve willingly exchanged gold and silver for paper certificates on demand. But, as the depression of 1929 deepened, Congress passed a law making it unlawful to own gold, and the banks stopped redeeming paper money with gold in 1933. All that remained to support our money was silver but that was removed by presidential order in 1968.

Today there is no gold or silver backing up our money - only the "full faith and credit" of the United States government. The federal government has pledged you and your ability to earn money as collateral to the international bankers for over $4 trillion in loans. This is a great deal for the bankers. The bankers put up nothing, and you, as a slave, turn over to the bankers one-third of your income to pay your "fair share" of the federal income tax. Your income tax does not pay for the running of the federal government. It pays the interest on the national debt; a debt that was created as a mere bookkeeping entry.

Local Bank Fraud

The fraud of the bankers does not stop with the owners of the Federal Reserve. It continues through our system and includes every bank, every savings and loan and every credit card company. The fraud reaches into every one of your banking transactions. All of them, without exception, extend the control of the bankers over our lives.

Consider this scenario. You want to purchase a used car. You arrange with Bank A for a loan and fill out the papers. The banker gives you a check made out to the car dealer for $5,000. You give the check to the car dealer. The dealer transfers the car to you and deposits the $5,000 check into his Bank B. It happens all the time.

Now, let's take a deeper look at the transaction. Did any money (gold or silver) leave Bank A? No. The money never left Bank A because the banker didn't give you any. He gave you bank *credit*. But the courts have ruled that "A check is not *money*. " *School Dist. v. U.S. Nat'l Bank*, 211 P2d 723; instead, "A check is an *order* on a bank to pay money." *Young v. Hembree*, 73 P2d 393. The courts have further ruled that "National banks may lend their *money* but not their *credit*." *Horton Grocery Co. v. Peoples National Bank (1928), 144 S.E. 501, 151 Va. 195*, because, unlike the Federal Reserve banks, local banks are not allowed, by law, to create money. But they do it all the time.

What is Bank Credit?

Bank credit may be the biggest fraud going. It is the creation of bills of credit by private corporations for their private gain. This is one of the most important issues we face because 95% of our nation's "money" supply consists of "nothing" but bank credit.

While Federal Reserve notes at least retain the physical reality of virtually worthless paper, bank credit is completely intangible. The closest you will ever get to actually seeing, touching, or weighing "bank credit" is to look at your checkbook or credit card. Essentially, bank credit is nothing more that the *creation of numbers* which are added to your checking account in a bank's bookkeeping department. When you write a check, numbers called "dollars" are transferred from your checking account to someone else's checking account. But no real dollars (grains or grams of gold or silver) ever change hands. No real dollars are even involved. All that ever changes is our *belief* that your wealth is diminished when the bank deducts "5,000" from your account, and my wealth is increased when I deposit the "5,000" into my account. Because these deductions and deposits are not tangible, nothing has actually changed except our opinions and beliefs concerning our relative wealth. You believe you are diminished by "5,000", I believe I am increased by "5,000" – but in fact, we are both still broke since your "5,000" and mine represent nothing tangible.

Bank credit is created when a banker hands you a check after you take out a loan. This check is not "money" (gold or silver); it is merely the bank's *promise* to pay money to the payee on the check. The basis for the fraud charge is that the bank has written a check against funds (real money) which do not exist. Through an elaborate communication system, Bank A deducts "5,000" from your account, Bank B deposits "5,000" to my account, and use these identical deduction/deposits to eliminate any need to actually trade real money. This seems like an efficient system, until you recognize that the bankers issuing these check/promises are demanding *tangible* collateral (land, property) to secure their intangible loans and your productive effort to repay the interest on borrowing their nonexistent "money". Bankers receive something tangible for nothing more than a promise. Would you rather have a steak dinner, or a promise of a steak dinner? We give bankers our steaks in return for their promises to take us to dinners that never happen. As we trade our steaks for their promises, many of us have gone bankrupt and surrendered our tangible homes for their intangible promises.

Fractional Banking

When the car dealer deposits your check into his account, bank B then has access to 5,000 more dollars that it loan to others. However, modern banking regulations allow banks to loan up to *nine times* as much "money" as is deposited. Therefore, based on my deposit of "5,000", bank B can now lend an additional $45,000 to other bank customers and charge each of then 10% interest. Much like Patterson used £72,000 in real money in the 1600s to generate an annual interest rate of 140%, today's banks loan the same "money" nine times at 10% per loan to generate a collective 90% interest rate on the original deposit. Moreover, unlike Patterson, modern bankers use no real gold or silver money deposits whatsoever. All bank credit is created out of thin air and "public confidence". Now you can understand why I said "*you* the determine value of money." Your *belief*, and only your belief, sustains the value of our intangible "money".

According to Barbara Marciniak, in her 1992 book, *Bringers of the Dawn*:

"You believe that you live in the land of the free and the home of the brave, yet you live in the most controlled experimental society on the planet." [2]

When I first read that statement I didn't believe it. Today, I do.

"Because everyone is so frightened of giving up the system in the United States, they are going to be forced to give it up. The system is corrupt. It does not work, it does not honor life, and it does not honor the Creator. That is the bottom line . . . you can bet it is going to fall, and fall big-time."

"The material realm is one area that everyone relates to. Life in the United States translates into how much money you have in your pocket and how much money the government wants out of what you have in your pocket. Taxes will be the issue that will create both the greatest amount of havoc in the United States and the greatest amount of unification, because you all have taxes in common. You may not worship the same God, but you all pay taxes." [4]

But another issue that is even greater, less understood, and potentially more unifying is *money* – a story and a concept all free men must study and understand.

[1] The Federal Reserve Bank of New York offers *The Story of Banks*, an illustrated booklet that explores the creation of money, credit, bank loans and more. For free copies, call 212-720-6134.

[2, 3, 4] *Bringers of the Dawn* by Barbara marciniak, Bear & Company, Santa Fe New Mexico.

[*] Some material in this article was excerpted from *The Paper Aristocracy*, by Howard S. Katz. Out of print.