The Federal Reserve is the key to a debt reduction plan: paying off the US National debt in ten years

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Conrad LeBeau

From 1981 through 1986 when I designed lawsuits used by hundreds of farmers against Wall St bankers, I never dreamt the day would come when I would defend the policies of the Federal Reserve Board (FRB). Under the current chairman, Ben Bernanke, the Board is to be applauded for its efforts to increase the money supply and to drive interest rates into the ground. The 7-member Board have brought the Fed's discount rate to near zero, actually about one quarter of one percent. Mortgage rates have declined into the 3% range in response to a sluggish real estate market.

Under Ben Bernanke, the Federal Reserve Board has moved aggressively to prevent the economy from sliding into a 1930's style depression. Recently, the FRB decided to purchase $100 billion in US Bonds and Securities each month for the next 6 months for a total of $600 Billion. For this, Bernanke and the Federal Reserve have been criticized by foreign bankers and some foreign governments and a number of conservative writers.

Our message to Ben B and the FRB is - keep going and buy up the entire 14 plus trillion dollar national debt. Refinance it at zero to one-quarter of 1 percent interest rates and save American taxpayers over 7 trillion dollars in the next decade.

At near zero interest rates, the $600 billion dollar purchase alone will save taxpayers about $30 billion per year in interest rate charges. Over a period of ten years, that adds up to over $300 billion in savings from lower interest rates paid on government borrowing. Today, interest paid on the US national debt is the largest expenditure of the Federal Government and totals over 700 billion annually. Imagine how much more money could be saved if the entire national debt were refinanced at zero or near zero interest rates. If we can save $700 billion a year in interest charges, who would care about 10 billion a year spent on earmarks? That would be pocket change.

In addition to saving taxpayers literally trillions of dollars in interest charges and future debt obligations, the Federal Reserve Banks turns over their annual profits to the US Treasury each year. This practice started when John F Kennedy occupied the White House nearly 50 years ago. Would the Federal Reserve really have done this on it's own or did President Kennedy have a law passed during his tenure requiring them to do so?

While the Federal Reserve Board is moving in the right direction, the private credit card monopolies of MasterCard, Visa, Discover, AMX have not responded so generously with consumers. Unless you have a really high credit score, you can expect to pay from 12% to 30% rates on most credit cards purchases.

For this reason, I have proposed a number of banking reforms under the Forum section of our website (keephopealive.org). Besides buying out the national debt, it includes directing the Federal Reserve Banks to make available to credit worthy Americans a low interest rate credit card.

The Federal Reserve Banks have never been audited by the General Accounting Office (GAO) since their inception in 1913. They are mostly privately controlled by the banks themselves who elect 6 of the 9 class A and B Directors for each of the 12 Federal Reserve (FR) Banks. The Federal Reserve Board appointed by the President appoints the remaining 3 Class C directors for each bank.

With the banking system selecting 6 of 9 directors of each FR Bank, it is a no-brainer that the banks themselves control the monetary policy of the banking system and with it the entire supply of the nation's credit.

The Federal Reserve Bailout of AIG started the credit bandwagon rolling

In 2008, American International Group (AIG) a large and stable insurance company had also insured mortgages against default. As the real

estate bubble bursted and property values began falling, numerous defaults on mortgages became the liability of AIG that had to dole out billions of dollars to banks and mortgage companies that made bad loans.

In 2008, the New York Times reported AIG third quarter loss of 5.3 billon as less than the first quarter loss of 7.8 billion. However in the third quarter, loses spiraled out of control and by the end of 2008, AIG had reported over 99 billion dollars in losses.

In September, 2008, Henry Paulson, then Treasury Secretary under President George Bush said the major financial credit markets had frozen and credit to smaller country banks had stopped flowing. Paulson warned that the entire financial system was teetering on the verge of collapse. This led Congress to approve an immediate 700 billion dollar bailout (loan) to the Wall St bankers.

Even before Congress approved the bailout, the Federal Reserve wrote AIG a check for $120 billion that was soon followed by another $30 billion loan. **The media has incorrectly reported that this was taxpayer's money. It was not. It was credit – digital money created with a few keystrokes on the computers of the Federal Reserve Bank of New York**, the main computer hub for the nation's digital money supply.

While the Federal Reserve Banks are allowed to buy currency from the Bureau of Mint and Engraving for the cost of printing, it does not need to do this in most cases as the Federal Reserve Banks have an unique power to create their own money. The credits entered in their accounts are nothing more than mere bookkeeping entries. In other words, Federal Reserve Banks can create money by writing a check against no funds. If a private citizen tried this, their checks would bounce.

Commercial banks, especially the big banks with the deepest pockets, do the same thing as the Federal Reserve Banks and expand the money supply by lending their credit. Government bonds are a lucrative investment for Commercial banks for two reasons

The Federal Government never cashes the checks it receives from the banks. The US Treasury simply deposits them in the US Governments account at the Federal Reserve Bank. A long time ago, the big banks figured out how to game the system and basically rig the books. They are the Class A Directors of each of the 12 Federal Reserve Banks and have special privileges that go beyond catering services. They write the rules for the Federal Reserve Bank regulators. They are a self-regulating money monopoly.

The banks, both domestic and foreign, by creating endless amounts of checkbook money and debt obligations, have accumulated ownership of most of the nation's wealth. They have the ultimate Ponzi scheme.

Unlike the Bernie Madoff Ponzi scheme that totaled an estimated 65 billion dollars, this one runs to the tune of several trillions of dollars. The banks buy the US Government bonds and securities and because cash never leaves their vaults re-lend it again to someone else or even buy more bonds and Government securities.

What the private banks are doing is the equivalent of printing money, except they are doing it with checks and bookkeeping entries under existing banking rules. While small country banks create and lend credit on a smaller scale, the biggest scammers are the nation largest banks who seem to never run out of money and gobble up billions of dollars of mortgages daily like they were a pre-meal snack.

These large banks actually view the Federal Reserve Banks as a potential competitor as they don't want the Federal Reserve encroaching on their turf. Commercial bankers get to keep all of their profits while Federal Reserve banks are required to turn their profits over to the US Treasury each year.

Before the Federal Reserve Act of 1913, many bankers became very wealthy lending credit under the Second National Banking Act The most famous and notorious of these bankers was John D Rockefeller, who under the Second National Banking Act, was able to accumulate ownership of 10% of all the wealth in the United States with his chain of banks (Chase Manhattan et al). With the massive amount of wealth he acquired from his banks, he started the Standard Oil Company among many other enterprises.

Other famous bankers in that era (late 1800s and early 1900s) were J.P Morgan, Frank Vanderlip, Jacob Schiff, Philip Lehman, Henry Morganthau, Andrew Mellon and many more.

Before the age of computers, checkbook money created by banks was stored as bookkeeping entries in the bank's books. Today nearly all of the nation's money is stored as bytes in the hard drives of the bank's computers.

The ten largest Banks* in the United States are -
BANK records* of digital money deposits in $Billions
1. Bank of America $835.9 (digital money plus cash)
2. JP Morgan Chase $692.1
3. Wells Fargo $680.3
4. Citibank $263.8
5. PNC bank $174.6
6. US Bank $127.8
7. SunTrust Bank $114.3
8. Citizens Bank $95.3
9 Capital One $88.9
10. Regions Bank $86.2

*Bank deposits listed above are about 95% digital (checkbook) money. This means the money really isn't in the banks but the numbers are impressive. The fictional money called "deposits" are numbers stored in the hard drives of the bank's computers. Customer deposits of coins and currency amount to less than 5%. A bank's liabilities are its book entry "deposits" while its assets are its loans. Both assets (loans) and liabilities (deposits) are simply bookkeeping entries stored as files in the banks computer hard drives.
Total bookkeeping entries are over 7 Trillion Dollars.
*Ref: **thefinancebuff.com**
For a list of the top 150 banks go to
onlinebankingreport.com

The following questions and answers are excerpted from **citizensreformcenter.com** that quotes from several past and present publications of the Federal Reserve Banks.

WHO OWNS THE FEDERAL RESERVE?

"The 12 regional Reserve Banks aren't government institutions but corporations nominally owned by the member commercial banks, who must buy special non-marketable stock in their district Federal Reserve Bank." REF: "**I Bet You Thought**", Federal Reserve Bank of New York, page 21.

"When the Federal Reserve was created, its stock was sold to the member banks. As stockholders, they elect some of the directors of the 12 Federal Reserve Banks. The other directors are appointed by the Federal Reserve Board of Governors….the Federal Reserve Banks and their 20,000 or more employees, who are not under Civil Service."
Ref: "**The Hats the Federal Reserve Wears**," Federal Reserve Bank of Philadelphia, page 14.

WHO CONTROLS THE ECONOMY?

"The Federal Open Market Committee [FOMC] is the most important monetary policy-making body of the Federal Reserve System. It is responsible for the formulation of policy designed to promote economic growth, full employment, stable prices, and a balance in international trade and payments."
Ref: "**The Federal Open Market Committee**", Board of Governors of the Federal Reserve System, page 2.

DOES THE US GOVERNMENT DETERMINE THE AMOUNT OF MONEY IN CIRCULATION?

"The Bureau of Engraving and Printing in Washington, D.C, a unit of the Treasury, is responsible for printing the nation's currency. But its order to print comes from the 12 Federal Reserve Banks, not the President or Congress. The Federal Reserve, not the Treasury, determines how much currency is printed, based mainly on estimates of commercial banks and public cash demands. Under this arrangement, the government can't print more Federal Reserve notes to pay its bills or debts. Since most U.S money is checkbook money, the printing presses have little to do with the buying power of money."
Ref; "I Bet You Thought", Federal Reserve Bank of New York, page 12.

DOES THE FEDERAL RESERVE CREATE MONEY?

"Put another way, when the Federal Reserve buys government securities, it is by the mere stroke of a pen putting new money into the banking system, money which itself can lead to the creation of even more new money. When the Federal Reserve writes a check, it is creating money."
Ref: "**Putting It Simply**", Federal Reserve Bank of Boston, page 17.

DO THE COMMERCIAL BANKS CREATE MONEY IN THE FORM OF LOANS?

"One institution, the commercial bank, creates new money, checkbook money, when it lends to producers and workers borrowing (money) from commercial banks. The banks put this new money into circulation."
Ref: "**The Story of Money**", Federal Reserve Bank of New York, page 4.

DO BANKS CAUSE RECESSIONS?

"But bank credit isn't a one way street. It adds to our money supply, to be sure, but our money supply declines as bank credit is repaid. Banks, then, can "destroy" or "extinguish" money as well as create it."
Ref: "**Money: Master or Servant**?", Federal Reserve Bank of New York, page 15.

CAN THE FEDERAL RESERVE SHRINK THE MONEY SUPPLY AND CAUSE A RECESSION?

"Just as purchases of government securities by the Federal Reserve System can provide the basis for deposit expansion by adding to bank reserves, sales of securities by the Federal Reserve System reduce the

money stock by absorbing bank Reserves. The process is essentially the reverse of the expansion steps just described.“
Ref: “**Modern Money Mechanics**”, Federal Reserve Bank of Chicago, page 12

DO PRIVATE BANKS CREATE MONEY?

“Commercial banks, however, lend in a different way. They create new checkbook dollars and add them to a borrower’s checking account. Because commercial banks create almost all new dollars, they play a special role in our financial system.“
Ref: “**The Story of Banks**”, Federal Reserve Bank of New York, page 4.

HOW DOES THE SELLING OF GOVERNMENT SECURITIES DECREASE THE MONEY SUPPLY?

“When the Federal Reserve sells securities, the supply of lendable money is decreased. When the Federal Reserve sells a government security, the check paying for it is deducted from the account of the commercial bank on which it is drawn, but it is not deposited to the account of another commercial bank.“
Ref: “**Putting It Simply**”, Federal Reserve Bank of Boston, pages 16 and 17.

DOES THE GOVERNMENT OR THE COMMERCIAL BANKS CREATE MONEY?

“The actual process of money creation takes place primarily in banks. As noted earlier, checkable liabilities of banks are money. These liabilities are customers’ accounts. They increase when customers deposit currency and checks and when the proceeds of loans made by the banks are credited to borrowers‘ accounts.“
Ref: “**Modern Money Mechanics**”, Federal Reserve Bank of Chicago, Page 3.

WHEN A BANK MAKES A LOAN FOR $9,000. IS THAT NEWLY CREATED MONEY?

“When the Banks makes a $9,000 loan the Banks accept the promissory note(s) of the borrower in exchange for credits to the borrower’s transaction accounts (demand deposit). Bank Loans (assets) and deposits (liabilities) both rise by $9,000. But the deposit credits constitute new additions to the total deposits of the banking system.”
Ref: “**Modern Money Mechanics**”, Federal Reserve Bank of Chicago, Page 6.

Banking 101
The unique nature of money

Paper money and credit instruments have no intrinsic value and are not a commodity as is gold, silver, copper and nickel. Today, only coins have an intrinsic commodity value along with a lawful value for the payment of debts, public and private. Paper money, authorized by a government, is a numerical measure of value and is authorized (legal tender) to pay all debts. Public and private, and to purchase goods and services.

An excellent article on the history of money is found on wikipedia.org. The article discusses the historical use of barter which predates paper and bookkeeping money by thousands of years. Unlike today’s digital, bookkeeping, electronic funds, plastic credit cards, checkbook and paper money, barter items, like coins, also had intrinsic value.

Historically, items used for barter had an intrinsic value and were used for several thousand years as a medium of exchange. These items consisted of food, clothes and tools. Grain and other valuables including agricultural tools were used as an early form of money for several centuries BC in Greece and in Egypt where grain was stored in state granaries’. A farmer could pay a laborer with so many pounds of grain.

Labor can also be bartered and is still is use today a tax-free exchange. E.G. A carpenter offers so many hours of work to someone who in exchange offers his or her skills as an electrician, plumber or other service for a given period of time.

For several thousand years, due to its intrinsic value, gold and silver evolved as a favored form of money. At the birth of Christ, the three Kings brought gifts that along with myrrh and frankincense also included gold coins. Before they crucified him, Christ drove the Moneychangers from the temple. The term “Moneychangers” today is sometimes used to refer to Wall St Bankers.

The Knights’ Templar’s

During the Middle Ages from about 1100 to 1300 AD, the Knight’s Templars had established their castles throughout Europe as a safe place to store gold and silver coins along with other valuables. The Templars helped to finance the Crusades, and with the Pope’s blessings, they became a favorite charity for millions of Christians.

According to a timeline of the Order of the Knights Templars compiled by the Medieval Combat Society, the Templars began using letters of credit in 1150. With the confidence of the public supporting them and with the creative use of paper notes (IOUs) and mortgage notes, they established a vast credit lending system that soon left them in possession of large vineyard holding, farm lands, buildings and other property throughout Europe.

The secrets of the Templars – how their safe houses became banks

It is because the castles owned by Templars had armed guards; people would bring their most treasured possessions to the castles for safekeeping. Public confidence in the Knights Templars also increased when the Pope gave his approval of the Templars as a charity for financing the Crusades.

Initially, the Templars gave the people who brought gold and silver coins to them for safekeeping a paper receipt payable to the name of the person to whom the receipt was issued such as John Doe. However, sometimes the person to whom the receipt was made out to could not return to pick up his or her money due to sickness or death.

How the Templars "receipts" became "bank notes" or currency

The Templars began to make receipts for gold and silver coins 'PAYABLE TO THE BEARER ON DEMAND." This meant that anyone who presented this piece of paper could cash it in for the gold or silver coins it represented. The Templars observed that as long as the public had confidence in their receipts "***notes payable to the bearer on demand"*** that they did not return to the safe house to cash it in but rather traded the receipts (Notes) among themselves.

The Templars began to offer a small fee to depositors called an "interest rate" for deposits of gold and silver coins as well as their own "Demand Notes" if the depositor also gave them permission to lend some of the money to other credit worthy borrowers.

With the Templars safe houses holding gold and silver coins and their own Notes payable in gold and silver coins, and with the people using the paper Notes in place of the gold and silver coins for most of their transactions, the Templars figured out that they could print more paper Notes and lend them out as money.

Eventually they found they could print up to ten tines the value in paper Notes as they had actual gold and silver coins to redeem their Notes. It was a get rich quick scheme for the Templars and for a while it worked.

The Templars convinced kings and monarchs through Europe to pass decrees and laws to allow for mortgage notes and mortgages that became liens on real property. With the law to enforce collection of their loans, and with paper available to create an unlimited supply of Demand Notes as credit instruments, the Templars became the moneylenders of Europe. Essentially, the Notes would look something like this:

The Knight's Templars of "such and such town" will pay to the Bearer on Demand "so many dollars."

The lending of large quantities of these paper notes created a prosperity in towns and villages throughout Europe along with a growing debt caused by the loans and the interest rates charges to borrow the money. When crops failed due to bad weather, the Templars would foreclose on the properties and as a result the Templars acquired vineyards and vast real estate holdings throughout Europe.

Maintaining public "confidence" to avoid "panics" or a run on the bank

By always keeping enough gold and silver coins in their vaults to satisfy those who wanted to cash in their notes, the Templars could maintain the confidence of the public so as to avoid a run on their vaults. Due to events out of their control such as bad weather, the demand to cash in the notes for the real coins would change from time to time. If the Templars had miscalculated the public demand for the gold and silver coins, they could run out of money and the public would panic and people would line up to withdraw their gold and silver. The Templars system of lending credit in the middle ages was a forerunner of today's modern banking system.

The fall of the Templars

Jacques de Molay was the grand Master of the Order and Geoffrey de Charney was the Preceptor of Normandy. King Philip IV of France was deeply in debt to the Templars and on Friday 13th October 1307 accused them of heresy and had them arrested in France. (1)

By seizing the Templar assets, King Phillip avoided having to pay back debts, and by confiscating further Templar assets Philip was able to make further money, although he found very little gold and silver in their vaults.

Pope Clement then issued the bull Pastoralis Praeeminentiae on November 22, 1307, and instructed all Christian Kings and monarchs in Europe to arrest the Templars and seize their assets.

With the seizure of the Templars assets, their banking system collapsed, but in due time a banking system based on credit instruments was revived in other countries. In England, the Rothschilds family became the primary bankers who loaned credit to the king, along with businesses, farmers and city dwellers.

Ref:
1. The Medieval Combat Society.
2. Holy Blood, Hold Grail

Where did I originally learn about the banking and money system?

It was 1956 and I was 13 years old. Living on a small dairy farm in the Upper Pennsylvania of Michigan just west of Nadeau, my father, Herbert J LeBeau, who was born in 1905, had lived through the great depression of the 1930's. One day while we were milking cows, my dad told me when and how the great depression started. "Herby" as my mother called him, told me that there were two reasons for the stock market crash of October 1929 and the subsequent depression that followed.

First, Herby stated the Federal Reserve Board raised interest rates in 1929 making it harder for people to borrow money and secondly, President Hoover tried paying off the national debt. Herby said that both actions shrunk the money supply leaving a shortage of money available to finance the purchases of consumer goods and property.

He stated: *"Of course paying off the national debt was a noble idea but President Hoover did not understand that this would also create a depression. "*

Learning about the economic slavery we were living under was a dark cloud. I asked myself then and again today - more than half a century later - how do we solve the money issue problem?

The problem is the debt nature of our money system. All money we use is borrowed into existence. As loans are repaid, our supply of money shrinks and with it goes our purchasing power, jobs and personal security.

"The nation's prosperity depends entirely on someone borrowing money to replace the loans that are being paid off"

Herbert J LeBeau

He explained it this way: "***Except for coins and a few United States Notes printed during the Civil War by Abraham Lincoln, the US Government does not print money and spend it into circulation. If the Federal Government financed its deficits by printing money, they would have no need to borrow money from the banks and there would be no national debt.***"

My dad also explained it another way. ***"Imagine the entire nation's money supply as air in a balloon that is floating overhead. All the air (money) in the balloon is borrowed and owed back to the bankers. Thus the balloon has a leak. Someone has pump more air into the balloon to keep the balloon (our supply of money) afloat. Otherwise, the balloon collapses as it runs out of air just like the economy collapses when the supply of money dries up."***

Dad put it this way: the Federal Government's national debt as well as the private debt must grow every year or the economy will slide into a recession or a depression. If the Federal Government tries to balance its budget or pay off the national debt, it will shrink the supply of money and lead to unemployment, a recession and a deflation (decrease) in the price of goods, services and real estate.

During the great depression, Charles Coughlin, a radio priest from Detroit, spoke to millions of Americans every week about the nature of money

and the banking system. Fr. Coughlin wanted Congress to end the depression by printing money and to spend it on jobs to reduce unemployment and thus bring an end to the depression. A bill to do was introduced known as the Frazer-Lemke bill. It almost passed the House of Representatives but failed by a few votes. Dad said the depression ended when President Roosevelt borrowed billions of dollars of credit from the banks to pay for the Second World War. The bank credit spent to finance the war created millions of new jobs.

Unfortunately, the loans to pay for WWII were passed on to future generations. Ditto for the Korean War, the Vietnam War and yes the Iraq War and now the war in Afghanistan. All of these wars were financed with bank credit and an ever-expanding national debt. **Unless there is real reform of the money and banking system, the debt must increase each year just to keep the economy at its current level.**

The 13 trillion national debt will need to increase by an amount equal to the interest paid on the debt just to keep the economy on an even keel and even more so to create new jobs for a growing population. In other words, under the current money system, the national debt must double every 10 to 15 years to create a full employment economy.

Who owns the National Debt? Is it the investment bankers or is China our primary lender?

It is a media created myth that China owns most of our national debt. China actually owns less than 1/13th of the debt or less than one trillion dollars. The percentage of the national debt owed to China is less than 7% or 1/13th of the total debt and they earned it. Unlike the bankers who produce nothing, China actually sold us real goods. Over 90% of the debt is owed to investment bankers or their trust funds. Bankers created this debt as a bookkeeping entry. They should be repaid the same way, with the stroke of a pen.

Quotations from famous people on money, banking and credit

excerpted from www.nworesistance.com

"If the American people ever allow private banks to control the issue of their money, first by inflation and then by deflation, the banks and corporations that will grow up around them (around the banks), will deprive the people of their property until their children will wake up homeless on the continent their fathers conquered." **-- Thomas Jefferson**

"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 money and its issuance." **-- James Madison**

"If Congress has the right under the Constitution to issue paper money, it was given them to use themselves, not to be delegated to individuals or corporations." **-- Andrew Jackson**

"The Government should create, issue, and circulate all the currency and credits needed to satisfy the spending power of the Government and the buying power of consumers. By the adoption of these principles, the taxpayers will be saved immense sums of interest. Money will cease to be master and become the servant of humanity." **-- Abraham Lincoln**

"I am a most unhappy man. I have unwittingly ruined my country. A great industrial nation is controlled by its system of credit. Our system of credit is concentrated. The growth of the nation, therefore, and all our activities are 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 civilized world… "

Woodrow Wilson

"The powers of financial capitalism had a far-reaching plan, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country...Their secret is that they have annexed from governments, monarchies, and republics the power to create the world's money..."

Prof. Carroll Quigley, author of "Tragedy & Hope: A History of the World in Our Time"

Banking Reform proposals

1. **Congress to mandate that the Federal Reserve Banks purchase the US Government's entire National debt** – all 14 trillion dollar worth in increments of $200 billion per month at an annual interest rate of zero percent (0%) until the Federal Reserve Banks own the entire debt. This would take nine to ten years to complete.

This would reduce the total interest paid on the national debt from 700 Billion to zero dollars in about ten years. This will save American taxpayers over 7 trillion dollars in interest rates over the next decade alone. It will help usher in an era of a debt free America and an end to economic slavery.

2. **Stop the sale of US currency (Federal Reserve Notes) to the Federal Reserve Banks for the cost of printing.**

To introduce or increase the supply of coins and currency in circulation, the US Government will establish a depository checking account at each of the 12 Federal Reserve Banks. When any of the 12 Federal Reserve Banks request coins or currency from the US Treasury, the US Government will print the amount of currency and coins they need and deposit it in the Governments checking account at each of the Federal Reserve Banks. As a result, the US Governments supply of checkbook money will increase by an amount equal to the amount of currency and coins deposited in the Federal Reserve Banks. The shameful era of selling currency to the Federal Reserve for the cost of printing needs to come to an end.

3. **Introducing Credit Card competition**: Congress shall enact legislation requiring the Federal Reserve Banks to offer low interest rate credit cards to credit worthy American consumers at an annual interest rate not to exceed 3% per year. This could easily save American consumers over 100 billion dollars a year as they now pay up to 30% annual interest rates on the credit cards available under the existing monopolies of MC/VISA/DIS and AMX.

4. **Bank creation of checkbook money limited to the 12 Federal Reserve banks only**.

Congress to mandate that only the 12 Federal Reserve Banks will be the originating source for creating and lending credit or checkbook money. No other privately owned bank or lending institution will be allowed to make loans beyond their customer's cash deposits.

5. **Federal Reserve Bank to offer lines of credit at low interest rates to member banks and Credit Unions**. All member banks of the Federal Reserve System and all Credit Unions would be able to open a checking account at the Federal Reserve Bank and borrow either cash or a line of credit for terms up to 30 years at an annual interest rate not to exceed 1% per annum and to relend the same to the public or local governments at the following rates:

For first time home buyers and for student loans, the interest rate shall not exceed 3.5% per annum; for a second home or vacation home, the interest rate shall not exceed 5% per annum; 3% for small business expansion loans; interest rates not to exceed 3.5% per annum for new energy efficient cars that give 40 mpg or more; 5% for used car loans; 6% for cars that give less than 30 mpg; 3.5% for clean energy including wind power, solar and geothermal; insulating and weatherizing home improvement loans; and 3.5% for farmers to convert to organic farming; 3.5% for state and municipal bonds. The Federal Reserve Board will set the interest rate for all other types of loans. The maximum rate will be 6% for all other types of loans.

By keeping interest rates low, the economy will have sufficient money for commerce. By controlling the amount of credit and cash made available, neither deflation nor inflation should be a problem.

6. **Federal Reserve Board powers to expand or restrict credit to control both inflation and deflation**. When inflation exceeds 3% per annum, the Federal Reserve Board may increase the reserve requirements of the banks or restrict the amount of lines of credit and cash made available to each member or participating institution. When deflation exists or the unemployment rate exceeds 6%, the Federal Reserve Board shall reduce the reserve requirements of the banks and/or increase the amount of lines of credit and cash available to all lending institutions.

7. **Federal Reserve annual profits turned over to the US Treasury.** Since President John Kennedy (1962), was in the White House, all profits from the operations of the Federal Reserve System from Jan 1st through Dec 31st of each year are turned over to the US Treasury by March 31st of the following year.

Update 2010: With the Federal Reserve having purchased 1.6 trillion of US Government Debt under QE1 and QE2, and collecting over 80 billion dollars in interest from the U.S. Treasury, Reuters News Service reported in Jan 2011 that the Federal Reserve turned over 79 Billion dollars of their profits to the U.S. Treasury in December of 2010.

Since the Federal Reserve now owns more of the US National Debt than China (China owns 1.2 Trillion), is it not time to let the Federal Reserve Banks buy out the entire National Debt? The effect would be to reduce the interest paid on the debt to near

zero dollars.

At a rate of 200 billion dollars per month, it would take the Federal Reserve Banks about 8 or 9 years to purchase and own the entire National Debt. Since any attempt to pay off the National Debt will shrink the money supply and create a national depression, Congress should mandate that no interest rate greater than one-half of one percent shall be paid on any government bond or security including 30 year bonds. Since the Federal Reserve creates the money it uses to buy the bonds as a bookkeeping entry on their computers, no taxpayer dollars are involved.

In addition to mandating that the Federal Reserve Banks buy out the National Debt, Congress should authorize the minting of two trillion dollars worth of gold and silver coins from bullion stock now in Fort Knox and set the face value of the coins at 50 to 100 per cent above the market value of the metal in the coins. In other words, with silver at $40 a ounce, A $100 Silver coin (legal tender value) should be minted with 1 to 1.5 ounces of 99.9 percent pure silver in each coin. For gold, an one ounce gold coin with a face value of $2400 per coin as the current commodity value of gold is around $1800 an ounce.

After minting all gold and silver bullion into coins, the Federal Government should purchase on the open market enough gold and silver bullion to replace all that was removed from Fort Knox. The profit or difference from the face legal tender value of the coins that the metal's commodity value can then be deposited in the governments bank account at the Federal Reserve.

By repeating the above process several times over, the US Government would bujld-up a surplus over time of over two trillion dollars in its account. About 400 billion of that should be immediately made available for low interest loans (one percent per annum) to small businesses for expansion and to pay off higher interest rate credit cards. This would fuel economic expansion. In addition, some of this newly minted money should be allocated for low interest loans for college students.

To give the monopolistic credit companies of Visa/MC/DIS and AMX some real competition, the Federal Reserve should be mandated by Congress make low interest rate credit cards directly available to consumers at an annual interest rate not to exceed 3 percent. All these steps would get the economy roaring back to a robust recovery in no time.

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