

The Fed, the Dollar, and You
A Look at How it All Began
By Steve Christ
Tuesday, March 4th, 2008

Baltimore, MD.-It's unlikely that Johnny Moon Sr. ever met Alan Greenspan. They didn't exactly travel in the same circles. Unlike the former Fed Chairman, Mr. Moon was dirt poor and homeless. At the time of his death he left behind a watch, a flashlight and a wallet containing the grand sum of \$1.00. But despite his untenable financial situation and his lifelong mire of poverty and drug addiction, Mr. Moon died with startling secret: he had qualified for and received a total of 6 loans to purchase Florida real estate at a cost of over a half a million dollars.

Now how Mr. Moon was able to pull off such a feat is murky at best. Nobody seems to know for sure - not even his family. But regardless of how he managed to pull it all off, one thing about his situation is crystal clear- homeless people are not exactly good candidates for home loans. But in spite of this hurdle to borrow money and buy houses, Mr. Moon did just that. And as startling as his accomplishments were, he never could have pulled off this feat alone. Because like the rest of the budding real estate moguls the bubble produced, Mr. Moon needed some serious help. It is here, of course, where his path crossed that of the former Fed Chairman, a man he certainly never met, but whose credit loosening policies made Mr. Moon's real estate adventures possible.

But unfortunately, Mr. Moon was not alone. Millions happily joined him. In fact, he was simply only part of a greater but potentially tragic mosaic of borrowers that have marched headlong into the bubble that the Federal Reserve Bank helped to create. But to be sure, it is only the latest example of the credit induced boom and bust cycles that have been delivered to us courtesy of the powerful central bank. And sadly for those that followed this folly, all that is left is the prospect of a prosperity ending bust whose consequences may ultimately be ruinous.

But to be fair to Mr. Greenspan, he was a prisoner of his own hubris and acted accordingly. He fell for the logic as so many before and after him have--**that the Fed can somehow create prosperity through the manipulation of consumer credit.** And while his money loosening efforts surely boosted the economy in the short term, the full wisdom of his rate reducing grind has yet to be seen. But with the country now awash and swollen with debt, the wisest of his decisions may well have been his last.

But as Mr. Greenspan now circles the globe delivering high priced speeches on his worldwide victory tour, the road that he paved with the best of intentions now carries with it an economy busting curve. In fact, the cracks themselves are more numerous everyday. But it's not really all that surprising, because like all credit induced booms, it finally became unsustainable.

Needless to say, **the contraction of the bubble is going to be a lot less fun than its creation.** But regardless of where this nasty contraction may lead us, one thing is certain none of it would have ever happened if the Federal Reserve Bank hadn't reduced rates to the unheard of level of 1%.

But that is what happens when we let powerful institutions like the Fed control our money supply. And unfortunately for us and for the **Fed, free markets cannot be "managed" to sustainable outcomes.** Or "soft landings" for that matter either. That's because **in the end, money creation ultimately only skews to consumption. And when it does eventually end, it leaves consumers everywhere buried under heavier and heavier burdens of mounting debt.**

It is a vicious cycle, and for some reason we allow it to continue, even though it inflates and weakens the dollar. And in doing so it threatens our very freedoms. Regrettably however, Mr. Greenspan's replacement, Ben Bernanke, is as like minded as his predecessor in his fervent belief in twisted Fed truths. In fact, just today the markets anxiously awaited the Fed's latest decision. And as was expected, the smartest guys in the room decided to leave well enough alone. Naturally, it touched off a series of wild guesses and speculation by the media's talking heads. In fact, the divining of the resulting Fed-speak was reminiscent of the Kremlinologists that used to read intentions either real or imagined into the mouths of the former Soviet leaders.

And for their part the markets must have liked what they heard. They continued the rally that had begun just last July. But it won't last. It simply can't because like those Soviet central planners of old, **the Fed cannot create managed economic outcomes no matter how hard it tries. Mr. Market has a mind of his own.**

So instead we live with booms and busts. But we've been doing so since the Fed was created in 1913. We only accept it because most of us don't even understand what the Fed does, how it came to be, or what role it truly plays in our lives.

It's a strange story to be sure and over the coming weeks I'm going to tell it to you. I think that you're going to be surprised what you learn.

By the way, in case you were wondering, since the creation of the Federal Reserve a pre-Fed dollar is now worth only 5 cents.

**The Creation of the Federal Reserve
A Midnight Train to Georgia and the Creation of Free Prosperity
By Steve Christ
Wednesday, March 5th, 2008**

BALTIMORE, MD - Looking back over history it is fascinating to see the degree by which the plans of very powerful men alter the course of nations. But as interesting as it is, it is even more stunning to realize that these ideas are rarely, if ever, the product of middle class thinking.

The creation of the Federal Reserve was no different. It all began in a New Jersey train station on a night in November 1910. Leaving from a Hoboken Railway station were a group of the nation's leading financiers and a powerful Congressman and his staff. And although few of them knew it at time they were headed for Georgia, 1000 miles away. Their mission was a secret and in the end it would change the nation forever. And while a few reporters suspiciously witnessed the gathering of the powerful, none of them bothered to report on the exodus. The men, they were told, were simply going duck hunting.

But to be sure this was no ordinary hunting trip. The railcars themselves were sealed and the blinds were drawn. And each member of "the hunting party" was instructed to at no time to use his own last name or to use that of any of the others. And while they stopped short of outright disguises, their intentions were clear-their identities were to remain secret.

Leading the ultra secret trip to Georgia was Senator Nelson Aldrich, head of the National Monetary Commission. Joining the Senator was A. Piatt Andrew, Assistant Secretary of the Treasury, Frank Vanderlip, President of National City Bank of New York, Henry P. Davison, senior partner of J.P. Morgan Company, and generally regarded as Morgan's personal emissary; Charles D. Norton, president of the Morgan-dominated First National Bank of New York, Benjamin Strong, also known as a lieutenant of J.P. Morgan; and Paul Warburg, a recent immigrant from Germany who had joined the banking house of Kuhn, Loeb and Company of New York as a partner.

And while these names may be hardly recognizable today, in their day these were powerful and well known men indeed. And as amazing as it seems they represented approximately ¼ of world's wealth. In fact, Paul Warburg himself was one of the richest men in the world and even served as the basis of the character Daddy Warbucks portrayed in "Little Orphan Annie." Heading south that day, this famous entourage finally reached its destination, **Jekyll Island, Georgia. And it was here, on an island off the coast of Georgia that our nation was changed forever.**

Now owned by the state, the island was once the private playground of the rich and famous. Its members included names like Astor, Vanderbilt, Morgan and Pulitzer. Needless to say the club was both incredibly ritzy and quite exclusive. Unbelievably, even Winston Churchill himself was once refused admission to the haven.

And once ensconced in their private and discreet playground, the rich and the powerful went to work. **And when they were finished some seven days later they had created the plan that would become the Federal Reserve Bank. And a simple plan it was because essentially it created a national central bank comprised of 12 regional banking systems.** Not surprisingly it was modeled after the central banks of Europe. Paul Warburg knew them well and was its main architect.

But, of course, they were very careful not to call it that since the public was rightfully wary of central banks themselves. In fact, its very name was the topic of much discussion. **And after much debate it was named in such a way as to give the public the idea that the bank was just another government agency. In truth, of course, it was not because the bank that they created was a private corporation. And while this fact is not widely known it was a notion that was affirmed by the Supreme Court in 1982. In Lewis v. United States 680 F.2d 1239 (9th Cir. 1982) , for instance, the United States Court of Appeals for the Ninth Circuit stated that "the Reserve Banks are not federal instrumentalities for purposes of the FTCA [the Federal Tort Claims Act], but are independent, privately owned and locally controlled corporations."**

So it was out of these secret meetings that the control of the nation's money supply was handed over to the very bankers and private corporations that earlier generations of Americans, including Thomas Jefferson and Andrew Jackson found to be so onerous. Because some **three years after the secret meeting, the plan conceived on Jekyll island became law.**

That's because, **on December 22, 1913, while many members of Congress were home for Christmas, the Federal Reserve Act was rammed through Congress and was later signed into law by President Wilson.** And a few days later the December 24, 1913 New York Times carried a front page headline that read **"WILSON SIGNS THE CURRENCY BILL!"** Below it, also in capital letters, were two further gems, **"PROSPERITY TO BE FREE"** and **"WILL HELP EVERY CLASS."** Prosperity to Be Free? Think about that one. And nearly **a year later the bank was open for business and first Federal Reserve Notes began to roll off the presses. Our modern dollars were born. And we have been at the mercy of their printing presses ever since.** Ideas after all have consequences.

Even President Wilson, who some say owed his presidency to the very men that met so secretly in Georgia some 96 years ago, came to realize that. Because at a later date, Wilson himself admitted with remorse, when referring to the Fed that, "I have unwittingly ruined my country." And going even further **Woodrow Wilson wrote this in 1916: "Our system of credit is concentrated (in the Federal Reserve System). The growth of the nation, therefore, and all our activities, are in the hands of a few men."** Wilson, of course, was right.

And you wondered why the Fed is so important. And to think **it all began on Jekyll Island--** which is both fitting and ironic at the same time. You'll be happy to know that the island has since been purchased by the state of Georgia and converted into a state park. **The clubhouse has been restored and you can visit it.** I think you'd be very impressed by it. As you walk through the downstairs corridors you'll come to a door... and on the door there is a brass plaque and it says: **"In this room the Federal Reserve System was created."**

The secret, it seems, is out. Or is it?

Born of Panic: The Crisis that Gave Us the Fed

The Panic of 1907

By Steve Christ

Thursday, March 6th, 2008

BALTIMORE, MD -- Not many people are familiar with the name F. Augustus Heinze. But it's not all of that surprising since Heinze has become something of a footnote to history.

But for those that do recognize his name, Heinze is synonymous with the 1907 money panic. And it was that monetary crisis that ultimately led to the "duck hunting" expedition to Jekyll Island, Georgia that I discussed in last week's story on the Fed. That's because like most bureaucracies, the impetus for the creation of the Fed didn't spring from a vacuum. It took a series of crises and panics to create the environment necessary to establish the Federal Reserve. **And while there were certainly numerous money panics throughout the 1800's, it was the**

panic of 1907 that served as the final straw and the logic behind the creation of the Federal Reserve.

At the epicenter of this panic was, naturally, one **F. Augustus Heinze, a successful western mining speculator turned trust owner. His brush with destiny began in 1906.** It was then that **Heinze moved to New York and bought Knickerbocker Trust for the sum of \$12 million.** And in doing so he set down the course of his own undoing. That's because at the time, trusts represented the development of the type of competition that banks really weren't interested in. And because of this, **banking industry leaders, threatened by the developing trusts, staged a financial attack on Heinze's Knickerbocker Trust.**

They did so by starting rumors about Knickerbocker's solvency. Their motive, of course, was simple. It was to sway public and congressional opinion against the trusts and to eliminate them from the competition. But in reality, **these rumors of solvency not only managed to engulf Heinze, but they also created one of the largest runs on banks in U.S. history when one of Heinze speculative copper ventures collapsed making the rumors a reality.**

And like Mrs. O'Leary's cow, **the ensuing collapse of Knickerbocker Trust set off a firestorm of banking panic** as depositors everywhere attempted to withdraw their savings. And since no bank, even then, had the liquidity necessary to meet all of the requests for withdraws numerous banks ended up collapsing in the aftermath. It was, in short, a disaster. And the ensuing panic that it set off threatened to throw the country into a deep depression.

That's because the banks then were totally dependent upon on their own currency resources. And for this reason they could be jeopardized by rumors or special financial crises, despite their good financial condition. **There were, in effect no preparations, official or otherwise, for such an event. And to end the panic, what was needed was liquidity in the terms of cash... lots and lots of cash.**

In fact, **to bring relief to the situation, the U.S. Treasury earmarked \$35 million of Federal money to quell the storm but even then it was not enough to end the panic. It was only when famed financier J.P. Morgan stepped in that the complete ruin of the national economy was averted. Morgan organized a team of bank and trust executives. The team redirected money between banks, secured further international lines of credit, and bought plummeting stocks of healthy corporations. And within a few weeks the panic passed, with only minimal effects on the country. In fact, by February 1908 confidence in the economy was restored.**

But, the fact that so powerful an institution as the Knickerbocker Bank could fail for lack of currency, even though it owned sound assets, **made an impact on congressional conservatives.** They perceived that no institution was secure simply by virtue of its size if it lacked the liquidity it needed in times of trouble

And it was this congressional follow up to the panic that **led to the creation of the National Monetary Commission. It was headed by none other than Senator Nelson Aldrich. You may remember him. He was one that booked that train to Georgia. His efforts led to the**

passage of the Federal Reserve Act. And the Federal Reserve has been providing the liquidity to the banking system ever since then. It does so with a giant and magical checkbook that creates money out of nothing. And as we know, it's no longer tied to gold.

Next week I'll tell you how it all works. As for Heinze's part in the story....it ended in 1914. He died of cirrhosis of the liver. I guess being the epicenter of money panics is enough to make you drink.

The Fed: Uncle Sam's Magic Banker

This Bank is Never Closed

By Steve Christ

Saturday, March 8th, 2008

BALTIMORE, MD -- When the Knickerbocker Trust collapsed in 1907 it set into motion a series of events that led to one the greatest money panics in US history. And in the wake of those tumultuous times, one thing became very clear-our banking system was in need of some serious liquidity.

After all, it was the lack of liquidity that created those runs on the banks in the first place. And it was liquidity, in the form of the cash and credit provided by famed financier J.P. Morgan, that ultimately ended the panic.

But while the need for liquidity was fairly obvious, it raised this question: who would provide it? The answer, of course, was the **Federal Reserve Bank**. And, since its creation in 1913, the Fed has become the instrument that has provided the cash necessary to keep the banking system working. They do it, of course, by **writing checks that increase the money supply and by being able to manage the flow of capital between the banks that need money and banks that have money.**

The net result of this is that banks have become perpetually liquid, since there is no real limit to their ability to access and transfer capital. But how could there be? After all, the Fed is completely unrestrained by that pesky gold standard and can create money out of thin air as a result. And because of this **the Fed works something like a platinum card without a limit-** other than its money tightening or loosening policies. Naturally, though, the spigot is always open. And so, in essence, **the Fed and its magic checkbook has come to be the practically limitless bank for bankers-which would be ominous enough if it all ended there. But it doesn't.**

Because, unfortunately, **the Fed also has another liquidity-craving customer--a monster really--called the US Government.** That's because the Fed not only provides liquidity to the banking system, but it also provides "financial services" to Uncle Sam himself. It was part of the original deal and has been the delight of every congressman ever since. And believe me when I tell you that when it comes to providing liquidity to the government, only a magic checkbook will do the trick. That's because our government is just like the rest of us. It spends way more than it brings in.

But instead of relying on credit cards and the like to spend more than he has, Uncle Sam uses bankers to borrow the money he needs to keep himself going. And while the government is increasingly reliant on foreign investors, its bank of choice is none other than the Federal Reserve.

It works like this. As you know, to fund the various activities of the federal government, our tax dollars--high as they may be--are never enough to cover the bill. That's because when it comes to an appetite for spending, our Congress knows no equal. In fact, the folks in Congress manage to spend all of our hard earned tax dollars long before the fiscal year ends. And when they do, they don't simply fall on hard times. They call up their friends at the Fed. There, they get what they need and then some. It's called "**monetizing the debt**" and it's the **Fed's specialty. It works by using that magic checkbook, because they can simply write the government any number of checks in any amount that it asks for.** In doing so, the Fed gives the government the liquidity it needs by providing the "financial services" that put it further in debt.

All of which Congressmen naturally love, since they don't ever have to go to the public with proposals for the tax increases that would provide the real amount of money that they needed. It is how off-the-charts government spending continues to happen. And it's the reason why Congress spends your money so carelessly. After all, **with the Fed willing to provide a limitless source of funds**, the price of the goods and services that the government purchases is just part of the pesky details. Naturally, these same **Congressmen use those Fed-provided dollars to help themselves get re-elected by buying the support of their voters. It's a neat little arrangement that no one really seems to complain about, because it's--well--good for the economy.**(As we'll find out next week.)

But the truth is that **the Fed has provided the means to run us deeper and deeper into debt--by providing a blank check of liquidity to the US government.** In fact, in the years before the Fed was created, total US debt stood at a paltry \$1 billion dollars. Since then it has ballooned to an astounding \$8.5 trillion dollars. That will someday need to be paid back by the taxpayers. That's you and me.

At present, some 40% of this debt is owed to the Federal Reserve--because they wrote the checks that funded it all. It's just that simple. It's really not hard to do, especially since the creation of dollars was divorced from the gold standard. It's what they mean when they say that **the dollar is "fiat money." That is, it is backed up only by the "full faith and credit of the US Government." That's how you get a magic checkbook in the first place.**

And oh, by the way, that "full faith and credit" is none other than you, the taxpayer. After all, somebody's got to foot the bill, don't they?

A Good Deal If You Can Get It
A Look at Fractional Reserve Lending
By Steve Christ
Sunday, March 9th, 2008

Here's another one that you probably didn't learn in school.

It's called **fractional reserve banking and its how banks themselves create money out of nothing**. And no you didn't read that wrong. Banks make money out of thin air too. But wait you say..... Isn't it just supposed to be our Congress that creates the money? The short answer to that is yes. The real answer, however, couldn't possibly be further from the truth.

BALTIMORE, MD -- As we learned last week, when Uncle Sam needs money for a war or two or simply needs some more cash for one of his famous bridges to nowhere, he doesn't exactly have to panhandle. He simply heads down the street to the Federal Reserve Bank with an armload of fresh Treasury Notes and walks out of the bank with all the money he needs.

It's a good deal if you can get it, and it's all so simple. **Uncle Sam hands over the notes that he printed himself and his best friend the central banker writes him a check using his magic checkbook. What makes the checkbook magic, of course, is its amazing ability to create something from nothing-namely money.**

Impossible, you say? For you and me, yes-but **in the world of collusion between the federal government and the nation's banks created by the Federal Reserve Act**, it's not impossible at all. In fact, **it's standard operating procedure. It's called "monetizing the debt," and in the wink of an eye billions and billions of new dollars are added to the money supply. And yes-like magic-they are created out of nothing.** Uncle Sam, naturally, loves this. After all, why bother getting people all upset with talk of raising taxes if you don't have to? And besides, since no one is really paying attention, it's a heck of a lot easier.

But as good as this deal is for the federal government, it's even better for the nation's bankers. Here's why. **Once Uncle Sam receives his check, he spends it on all sorts of things-from contractors to retirees and everything in between. And once he does that, his newly created money eventually ends up on deposit somewhere in the nation's banks. This is where the nation's banks are rewarded for their part in the deal, because not only do they get to earn interest on the newly created money, but they also get to actually create some money of their own.**

And while that may sound a little odd, since it's actually the Congress's responsibility to create money, it is indeed true-commercial **banks create money** too. They do so by a process called **"fractional reserve banking"** that **allows them to lend out to borrowers as much as ten times the amount they actually have in deposits. They do it, of course, with a magic checkbook of their own, which adds even more new money to the supply as they "monetize debt." And it all starts with that original check written to and spent by Uncle Sam.**

While it may sound crazy, it works like this. **Let's say Uncle Sam receives a check in the amount \$10 billion dollars from the Fed and promptly spends it. And for the sake of argument, let's say that every penny of that \$10 billion gets deposited with Chase Manhattan Bank. Chase, as you would guess, would be overjoyed by their good fortune, but not for the reasons that you might think. You see, not only do they get the benefit of the original \$10 billion dollars but, because of fractional reserve lending, they can now lend out**

nine times that amount-or \$90 billion dollars. In other words, fractional reserve lending allows commercial banks to create nine times more money than they have on deposit or in reserve. And in doing so they create money out of nothing, just like their friends at the central bank.

All of which is a sweet deal if you can get it. Think about it. **The banks get to loan money they don't have and they get to earn interest on it . . . a lot of interest. Take that \$10 billion dollars, for instance. Sure, Chase has to pay interest on it, but that pales in comparison to the 6% it earns on the \$90 billion dollars it was subsequently able to loan out. In fact, \$90 billion dollars in loans at 6% interest yields the bank a whopping \$539.5 million dollars in interest every year.** Which kind of gives new meaning to the idea of the rich banker, doesn't it?

But, while Uncle Sam and his banker friends make out like bandits in this deal, the rest of us are made to suffer. Because not only are we ultimately responsible for the national debt, but all of this newly created money also leads to inflation. And since the creation of money is no longer in the hands of Congress and has been disconnected from limits like the gold standard, the value of our dollars has been eroded beyond recognition. It's the reason everything costs twice as much as it used too, and it's the reason that all of us-both husbands *and* wives, for the most part-have to work harder and harder just to stay even.

Unless you're a banker, which, as you see, is a good job . . . if you can get it.

And to think it all begins with debt. No wonder they are so eager to lend money. This is why, even if your credit rating stinks, you're probably getting six or eight credit-card offers in the mail every week. But hey, why complain? After all it's good for the economy isn't it?

We'll talk about that more in the next episode.

The Fed, the Economy, and You

The Fed- Part Six

By Steve Christ

Monday, March 10th, 2008

BALTIMORE, MD -- As we learned last week, the Federal Reserve Act of 1913 not only was a great deal for the Federal government but also for the nation's lenders. Not only does the act allow the Federal Reserve to create more dollars, but it also allows the banks themselves to create even more money through its fractional reserve lending policies. That's because **a member bank has to keep on deposit a mere 10% of what it is liable for, allowing it to create nine times that amount in new borrower debt.** This, as we saw, is a good deal if you can get it. And it's even better if you can maintain it, which is another of the Federal Reserve's principal missions. It accomplishes this through that mysterious **Fed Funds Rate** that you hear about all the time. **This is the overnight interest rate which the Fed sets as a target when banks borrow from one another. And it's this that allows capital to be moved easily from where it's on deposit to where it's needed, to satisfy the 10% reserve requirement of fractional banking.** This borrowing system is needed since banks only have to have a mere 10%

of their money on hand, meaning without it they can't possibly always meet their reserve requirements or the demand for withdrawals. It's what makes every bank liquid well beyond its deposits, since the 10% reserve requirement necessarily makes all banks illiquid. And it is this constant shifting back and forth of deposits that not only makes the whole system work, but prevents the runs on banks that plagued us in the past. It creates a pool of cash that can stop them.

But while the Fed Funds Rate and its system of borrowing manages to stave off the built-in liquidity problems, it also plays a much larger role in the economy by affecting the interest rate markets. That's because when the Federal Open Market Committee (FOMC) sets this target rate, it becomes a benchmark of sorts for other rates-especially those that are short-term. It's one of the tools the Fed uses to either encourage or discourage demand and spending, by raising or lowering the cost of borrowing. And since the Federal Reserve Act specifies that the FOMC should seek "to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates," it is the tool used to either stimulate economic growth or to fight off inflation. It's the reason why the financial press is constantly on "Fed watch," reporting on and trying to predict the next move in the Fed Funds Rate. Because, ultimately, while the Fed has no direct control over interest rates, **its moves tip off the markets as to whether it is trying to tighten or loosen the demand for money.**

The Funds Rate is what gives the Fed such an incredible amount of power over the economy. Loosening it causes expansion and inflation, while tightening it causes economic contraction and unemployment. Since the nation is so dependent on borrowing and spending, it has the effect of putting consumers on an economic roller coaster as it tries to "manage" the economy by constantly tinkering with demand. The effect is that **the economic fortunes of consumers everywhere have ended up in the hands of a class of bankers who consider themselves to be the smartest guys in the room. And while these folks don't think twice about hurting consumers to achieve their aims, they rarely if ever turn on their banker friends.** That's because, while the Fed concentrates primarily on consumer demand, it turns a blind eye to controlling the money supply, even though it has the ability to shrink its reserves and decrease the amount of money that banks can create to lend in the first place.

So while the Fed thinks nothing of coming after you, its printing presses and those of its member banks continue to create more new money, allowing them to make tidy profits as they not only push you further into debt but exacerbate inflationary pressures. And **while all of this debt creation is what puts much of the capital in American capitalism and helps to propel economic growth, it does so by putting us through a series of credit-induced booms and busts. This, if you think about it, is exactly where we find ourselves today.**

After all, **without the Fed, its banker friends, and all of that easy money, the housing bubble is something that never could have happened. So as long as this system and the people who run it are able to jerk consumers around with their inflationary methods there is no real end in sight.** How could there be?

Politicians love it because it allows them to spend your money without limit. Banks love it because it allows them to profit immensely from the debt it allows them to create. Big business

loves it because all of that debt keeps them flush with sales. And even we love it . . . because while the Fed may cost us by raising our rates occasionally, it's nice enough not to cut us off.

And as long as it is willing to keep the spigots open, we are still free. . . . free to chase the dream. Or so we think.

It's how the homeless get home loans, it's why you have ten credit cards, and it's the reason why the price of everything is twice what it was when you were younger. It's the ultimate illusion, and it all started on a hunting trip to Georgia 96 years ago. A hunting trip we've been paying for ever since.

That, of course, was final story in the series on the Fed. All of it is true and I hope it gave you a new perspective on what the "smartest guys in the room" are up to these days. That's because it has very little to do with you actually or "price stability" for that matter, and everything to do with the banks. After all, they are the ones that created the Federal Reserve in the first place.

By the way, **here's what Thomas Jefferson had to say about banks long before the creation of the Federal Reserve.** Some of it might sound familiar.

"I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around [the banks] will deprive the people of all property until their children wake-up homeless on the continent their fathers conquered. The issuing power should be taken from the banks and restored to the people, to whom it properly belongs."

--Thomas Jefferson

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