

HJR



April 9, 1985

Honorable Gentlemen,

This letter is in regard to HJR 26 and HJR 27.

Since the Federal Reserve Act of 1913 it is apparent that our money supply and our United States economy has been controlled by a consortium of private bankers.

The Federal Reserve System was established to end the boom and bust cycles, stabilize the currency, end farm foreclosures, and expand the money supply when necessary." Since its inactment the Federal Reserve has not done any of the above (with the exception of expanding the money supply) and has only caused more boom and bust cycles. The present situation with the farmers in this country more than proves this fact.

There were many warnings about the Federal Reserve Act before and after its passage. Henry Cabot Lodge, an opponent of the bill stated December 17, 1913,

"The powers vested in the Federal Reserve Board seem to me highly dangerous especially where there is political control of the Board. I should be sorry to hold stock in a bank subject to such dominations. The bill as it stands seems to me to open the way to a vast inflation of the currency."

"I had hoped to support this bill, but I cannot vote for it as it stands, because it seems to me to contain features and to rest upon principles in the highest degree menacing to our prosperity, to stability in business, and to the general welfare of the United States."

Congressman Louis T. McFadden, a later critic of the Federal Reserve and an authority on the subject (as he served as chairman of the Banking and Currency Committee for more than tens years) stated on the floor of the House of Representatives in 1934:

"Mr. Chairman, we have in this country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board and the Federal Reserve Banks, hereinafter called the Fed. The Fed has cheated the Government of these United States out of enough money to pay the national debt."

and

"Meanwhile and on account of it, we ourselves are in the midst of the greatest depression we have ever known. From the Atlantic to the Pacific, our Country has been ravaged and laid waste by the evil practices of the Fed and the interests which control them. At no time in our history, has the general welfare of the people been at a lower level or the minds of the people so full of despair."

"Recently in one of our states 60,000 dwelling houses and farms were sold and their erstwhile owners dispossessed. The people who have thus been driven out are the wastage of the Fed. They are the victims of the Fed. Their children are the new slaves of the auction blocks in the revival of the institutions of human slavery."

These comments were made over 50 years ago and hold true today. The Federal Reserve and the International Bankers are on their way to a one world government and a world monetary system. If this happens, we shall all surely be slaves. It is your responsibility to prevent this from happening.

I am a devout supporter of HJR 26 and HJR 27. These could prove to be some of the most important bills in over 50 years. Why don't you make history by acting upon them.

Please answer these questions:

1. Does the Congress have power over the Federal Reserve?
2. Is it lawfull for the Federal Reserve to charge the American people interest on the money borrowed?
3. Has the Fed ever been audited? If the answer is no, why not?
4. Is our present money system in compliance with Article 1, Sections 8 and 10 of our U.S. Constitution.
5. Are the federal reserve notes used today lawfull money as set forth in the U.S. Constitution?
6. Can anyone tell me what a dollar is? If you can and I have some I'll give you one for the answer!

Please answer my question as I would like to know more about the Federal Reserve. I have a great concern for the economic problems facing our Nation today and the Nation our posterity will live in.

In conclusion, the facts as they are evident warrant a thorough investigation and reform of the Fed as we know it. In light of

that, I urge you to bring forth HJR 26 and HJR 27 for discussion.
This could at least be a start in the right direction.

Sincerely,

Michael Agen

Michael J. Bruner
Box 168
Palmer, Alaska, 99642

April 6, 1985

Representative Mike Miller
Chairman: Judiciary Committee
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska, 99811

Dear Chairman,

HJR 26 & 27 have been referred
to your committee.

Your consideration of these bills
would be greatly appreciated:
so that they can be delivered
to the Rules Committee.

Do you support these bills?
Hope you had a Happy Easter.

"Via Con Dios Amigos"
Michael J. Bruner

P.S. On 4/4/85 I spoke in favor of these
bills on Herb Shaindlin's K.F.Q.D. Talk
Show; am going to be speaking about
them on Fred James K.A.R.N. Talk Show.
Hope you can tune in & call in when
I support them across Alaska on
K.F.A.R. Steve Agaba's talk show
statewide. Thankyou...

JAMES ABDNOR
SOUTH DAKOTA

5H-309 HART SENATE OFFICE BUILDING
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COMMITTEES
APPROPRIATIONS
ENVIRONMENT AND
PUBLIC WORKS
JOINT ECONOMIC

United States Senate

WASHINGTON, D. C. 20510

January 25, 1985

Michael J. Bruner
Box 168
Palmer, Alaska 99645

Dear Michael:

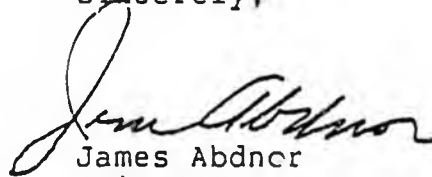
Thank you for conveying to me your concerns about the Federal Reserve System.

As you know, the Fed has been under considerable criticism in recent years. Its influence over the economy is considered by many to be too powerful, and its authority to control the monetary system has been challenged as well. As a member of the Joint Economic Committee, I have been involved in studying the role of the Federal Reserve in our economy. It is apparent that some changes should be made to make the Fed more responsive to the interests of the nation.

Thanks again for expressing your views to me. I shall keep them in mind as the Senate deliberates the issue further.

With best wishes,

Sincerely,



James Abdnor
United States Senator

JÄ/jt

In exchange for stock: member banks of each of the twelve Federal Reserve Banks, capitalized them, with six per cent of their deposits/assets. "Member banks are owned by private stockholders!"

LEWIS v. UNITED STATES

1239

Cite as 680 F.2d 1239 (1982)

Anchorage Daily News

Wednesday, March 20, 1985

Tax The Fed, retire our debt

Mr. Bruner's elucidation of the workings of the Federal Reserve laid bare an issue more critical than communism facing this nation. By these tactics it is estimated they have accumulated around \$200 billion to line their own pockets, a sum equal to the entire annual federal deficit! This money, of course, does not return to the treasury, because, as a federal judge recently ruled, the misnamed Federal Reserve is a cabal of private bankers enriching themselves at public expense.

One bold stroke by Congress could retire our national deficit in short order and that would be a 50 percent tax on this usury. But The Fed is so powerful and the publicity so circumscribed that all previous attempts to return control of "making money out of thin air" to Congress have failed. This way, the interest on money borrowed by the government, apart from that on real, earned money put up by honest investors which constitutes half our present debt, would be returned to the people. But The Fed has so much money it can destroy the careers of any politician involved in such "meddling."

— Ian B. Patten



John L. LEWIS, Plaintiff/Appellant,

v.

UNITED STATES of America,
Defendant/Appellee.

No. 80-5905.

United States Court of Appeals,
Ninth Circuit.

Submitted March 2, 1982.

Decided April 19, 1982.

As Amended June 24, 1982.

Plaintiff, who was injured by vehicle owned and operated by a federal reserve

bank, brought action alleging jurisdiction under the Federal Tort Claims Act. The United States District Court for the Central District of California, David W. Williams, J., dismissed holding that federal reserve bank was not a federal agency within meaning of Act and that the court therefore lacked subject-matter jurisdiction. Appeal was taken. The Court of Appeals, Poole, Circuit Judge, held that federal reserve banks are not federal instrumentalities for purposes of the Act, but are independent, privately owned and locally controlled corporations.

Affirmed.

1. United States ⇐78(4)

There are no sharp criteria for determining whether an entity is a federal agency within meaning of the Federal Tort Claims Act, but critical factor is existence of federal government control over "detailed physical performance" and "day to day operation" of an entity. 28 U.S.C.A. §§ 1346(b), 2671 et seq.

2. United States ⇐78(4)

Federal reserve banks are not federal instrumentalities for purposes of a Federal Tort Claims Act, but are independent, privately owned and locally controlled corporations in light of fact that direct supervision and control of each bank is exercised by board of directors, federal reserve banks, though heavily regulated, are locally controlled by their member banks, banks are listed neither as "wholly owned" government corporations nor as "mixed ownership" corporations; federal reserve banks receive no appropriated funds from Congress and the banks are empowered to sue and be sued in their own names. 28 U.S.C.A. §§ 1346(b), 2671 et seq.; Federal Reserve Act, §§ 4, 10(a, b), 13, 13a, 13b, 14, 14 (a-g), 16, 12 U.S.C.A. §§ 301, 341-360; 12 U.S.C.A. § 361; Government Corporation Control Act, §§ 101, 201, 31 U.S.C.A. §§ 846, 856.

3. United States ⇐78(4)

Under the Federal Tort Claims Act, federal liability is narrowly based on tradi-

Exchange of gold notes for bonds.

Upon application of any Federal reserve bank, approved by the Federal Reserve Board, the Secretary may issue at par such three per centum bonds in exchange for the one-year gold notes herein provided for.

Bank reserves.

BANK RESERVES.

THE CONSTITUTION OF THE UNITED STATES

Article 6, Sec. 2: "THIS CONSTITUTION, ... SHALL BE THE SUPREME LAW of the Land; and the Judges... shall adhere to ANYTHING... CONTRARY NOTWITHSTANDING"

Article 1, Sec. 10: "SHALL MAKE ANYTHING BUT GOLD and SILVER COIN" Tender in Payment of Debts

Article 1, Sec. 8: THE CONGRESS SHALL HAVE POWER... to COIN Money, REGULATE the Value thereof...

Question: Can you make Gold and Silver out of NOTHING?

Answer: NO!

Timothy 6:10

John 2: 14 & 15

Proverbs 20: 10 & 11

Is Federal Reserve dishonest?

This letter concerns an act of the 63rd Congress, "The Federal Reserve Act of 1913." More specifically, it refers to the eighth paragraph of section B under bank reserves:

"A bank in a reserve city, as now or hereafter defined, shall hold and maintain reserves equal to fifteen percent of the aggregate amount of its checking account deposits and five per cent of its saving account deposits."

In other words: if you deposit \$10,000 into your savings account, the bank has to keep \$500, leaving \$9,500 to loan.

If I borrow that \$9,500 and redeposit it into a savings account of another bank, that bank has to hold \$475 and has \$9,025 to loan.

Can you see that from an original deposit of \$10,000 we now have a total of \$975 in reserves and \$18,535 in loans? Following Federal Reserve guidelines, we have created \$19,510 out of \$10,000.

In short, money is created out of nothing and secured by good real estate mortgages paying high rates of (usury) interest.

If you feel the Federal Reserve system is dishonest, then let your legislator know your opinion and ask him for his opinion. Phone Sen. Stevens (271-5915), Sen. Murkowski (271-3735), or Congressman Young (271-5978).

Michael J. Bruner, Box 168, Palmer, Alaska, 99645

Sec. 19. Demand deposits within the meaning of this Act shall comprise all deposits payable within thirty days, and time deposits shall comprise all deposits payable after thirty days, and all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment.

When the Secretary of the Treasury shall have officially announced, in such manner as he may elect, the establishment of a Federal reserve bank in any district, every subscribing member bank shall establish and maintain reserves as follows:

(a) A bank not in a reserve or central reserve city as now or hereafter defined shall hold and maintain reserves equal to twelve per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults for a period of thirty-six months after said date five-twelfths thereof and permanently thereafter four-twelfths.

In the Federal reserve bank of its district, for a period of twelve months after said date, two-twelfths, and for each succeeding six months an additional one-twelfth, until five-twelfths have been so deposited, which shall be the amount permanently required.

For a period of thirty-six months after said date the balance of the reserves may be held in its own vaults, or in the Federal reserve bank, or in national banks in reserve or central reserve cities as now defined by law.

After said thirty-six months' period said reserves, other than those hereinbefore required to be held in the vaults of the member bank and in the Federal reserve bank, shall be held in the vaults of the member bank or in the Federal reserve bank, or in both, at the option of the member bank.

(b) A bank in a reserve city, as now or hereafter defined, shall hold and maintain reserves equal to fifteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults for a period of thirty-six months after said date six-fifteenths thereof, and permanently thereafter five-fifteenths.

In the Federal reserve bank of its district for a period of twelve months after the date aforesaid at least three-fifteenths, and for each succeeding six months an additional one-fifteenth, until six-fifteenths have been so deposited, which shall be the amount permanently required.

For a period of thirty-six months after said date the balance of the reserves may be held in its own vaults, or in the Federal reserve bank, or in national banks in reserve or central reserve cities as now defined by law.

After said thirty-six months' period all of said reserves, except those hereinbefore required to be held permanently in the vaults of the member bank and in the Federal reserve bank, shall be held in its vaults or in the Federal reserve bank, or in both, at the option of the member bank.

(c) A bank in a central reserve city, as now or hereafter defined, shall hold and maintain a reserve equal to eighteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults six-eighteenth thereof. In the Federal reserve bank seven-eighteenth.

United States Statutes Volume: 38

"Anchorage Daily News Wednesday, March 6, 1985"

63rd Congress, Session 2, Chapter 6, Pg # 270 on Dec. 23, 1913.

Introduced: 3/29/85
Referred: Judiciary and
Finance

1 IN THE HOUSE

BY MARROU

2

HOUSE JOINT RESOLUTION NO. 26

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

Declaring the intention of the State of

6

Alaska to join the State of Washington

7

in a court action to challenge the

8

constitutionality of the Federal Reserve

9

System and to obtain an audit of the

10

Federal Reserve System.

11 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12 WHEREAS a sound monetary system is absolutely vital to a free people;

13 and

14 WHEREAS inflation, exorbitant interest rates, and monetary instability

15 have historically been proof of an unsound monetary system and, thus, a

16 danger to the well-being of the citizens and the governments of the State

17 of Alaska and the United States of America; and

18 WHEREAS art. I, sec. 8, Constitution of the United States grant to

19 Congress the exclusive power "to coin money" and to "regulate the value

20 thereof"; and

21 WHEREAS the Federal Reserve Act of 1913 (38 Stat. 251) and subsequent

22 acts of Congress purport to delegate to a federally-chartered banking

23 consortium power over the lives and well-being of every citizen of the

24 United States without effective supervision by an elected body or official;

25 and

26 WHEREAS the powers of the Federal Reserve System to create and issue

27 money and to create and loan money at interest to the government of the

28 United States, are clearly beyond the authority contemplated by those who

29 wrote and ratified the United States Constitution; and

1 WHEREAS the United States Constitution does not authorize Congress to
2 make this delegation of power; and

3 WHEREAS there has never been a complete and independent audit of the
4 Federal Reserve System;

5 BE IT RESOLVED that the Alaska State Legislature urges the Governor to
6 direct the Attorney General to join the State of Washington in filing in
7 the Supreme Court of the United States:

8 (1) an action challenging the constitutionality of the delega-
9 tion to the Federal Reserve System of the power to create money; and

10 (2) an action requiring a complete and independent audit of the
11 Federal Reserve System.

12 COPIES of this resolution shall be sent to the Honorable Ted Stevens
13 and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don
14 Young, U.S. Representative, members of the Alaska delegation in Congress;
15 the Honorable Booth Gardner, Governor of the State of Washington; the
16 Honorable Ken O. Eikenberry, th. Attorney General of the State of Washing-
17 ton; and to the Western Legislative Conference of the Council of State
18 Governments.

Introduced: 3/29/85
Referred: Finance

1 IN THE HOUSE

BY MARROU

2

HOUSE JOINT RESOLUTION NO. 27

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

Urging the United States Congress to

6

study and reform the Federal Reserve

7

System.

8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 WHEREAS a sound, stable monetary system is vital to a free nation to
10 protect the economic and political liberty of its people; and

11 WHEREAS the Federal Reserve System, the present monetary system in the
12 United States, was established to end "boom and bust" cycles, stabilize the
13 currency, end farm foreclosures, and expand the money supply when
14 necessary; and

15 WHEREAS since the introduction of the Federal Reserve System, the
16 United States and its people have suffered recurring recession cycles, a 90
17 percent loss of the purchasing power of the dollar, and farm foreclosures
18 during the Great Depression of the 1930's and the 1981-83 depression; and

19 WHEREAS the Federal Reserve System has expanded the United States
20 money supply, but the system charges the United States citizen interest on
21 every Federal Reserve dollar in circulation; and

22 WHEREAS few other issues affect the United States and its people as
23 directly as the operation of the Federal Reserve System, because labor,
24 farmers, and businesses are absolutely dependent on the nation's monetary
25 system and may be in grave danger in the near future unless major reforms
26 to the system are made; and

27 WHEREAS serious charges have been made that the Federal Reserve System
28 has failed to achieve the objectives laid down when it was established,
29 that the present debt-money system works to the disadvantage of the public

1 and results in ever-higher interest rates for individuals, business, and
2 government, that violations of prudent bank management practice by large
3 United States banks in making worldwide loans have placed this nation, its
4 banking system, and the taxpayers in jeopardy, and that Congress has been
5 unwilling or unable to face this issue squarely and take action to protect
6 the United States from further abuses;

7 BE IT RESOLVED by the Alaska State Legislature that it urges the
8 Western Legislative Conference of the Council of State Governments to study
9 the elements of the nation's present monetary system and design reforms to
10 protect the people and their economic security; and be it

11 FURTHER RESOLVED by the Alaska State Legislature that it urges the
12 Western Legislative Conference to request Congress to study and hold hear-
13 ings to examine the nation's monetary system and to consider reforming the
14 system to protect the people of the United States and their economic
15 security.

16 COPIES of this resolution shall be sent to the Honorable Ted Stevens
17 and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don
18 Young, U.S. Representative, members of the Alaska delegation in Congress;
19 and the Western Legislative Conference of the Council of State Governments.

The following table shows the relationship between the budget deficits and the interest paid by government. If there were no interest payments, there would be no deficits.

YEAR	DEFICIT	INTEREST PAID
1972	\$ 23,373 (Billions)	\$ 20,563 (Billions)
1973	14,849	22,762
1974	4,688	28,032
1975	45,154	30,911
1976	66,413	34,511
adj.	12,945	7,216
1977	44,948	38,009
1978	48,807	43,966
1979	27,694	52,556
1980	59,563	64,504
1981	57,932	82,537
1982	98,578*	99,537*
Total	\$504,955	\$524,682

It is a POWER unto itself: it is not answerable to the President or the Congress...

**Federal Reserve:
A Monopoly on Money**

Dear Editor:

The Federal Reserve System is an intelligent subject for people to investigate and reflect upon. There is an illegal relationship between the Federal Reserve Act of 1913 and the Government!

Article I, Section 8-5 of the Constitution of the United States: "The Congress shall have the power to coin money and regulate the value thereof..."

The U.S. Constitution gave this duty to Congress. There has never been a constitutional convention to propose (or ratify) a legal amendment to allow Congress to delegate this power to someone else! Therefore: the congressional legislation delegating this authority to regulate the value of money to the Federal Reserve Board is against the law!

The Federal Reserve is comprised of 12 regional Federal Reserve Banks. The stock of these 12 regional Federal Reserve banks is privately owned. It is a privately held corporation. It is a special interest group with a monopoly on money. It is the privately held central bank of the United States of America.

The Federal Reserve Board issues laws as to what the interest rate shall be. The Federal Reserve Board exercise daily control over the volume of money in the United States by buying and selling government securities. The U.S. Treasury gets its orders to print money from them...not our Congress!

The Federal Reserve operates on the fractional reserve principles that only requires banks to keep approximately 5% on a savings account deposit, and 20% on a checking account deposit.

By depositing \$100 in a checking account, a bank is required to keep only \$20 in reserves, and can loan \$80. The borrower can deposit that \$80 in another bank. That bank has to keep \$16 in reserves, and has \$64 to loan.

Can you see that from an original deposit of \$100, that we now have a total of \$36 in reserves, and \$144 in loans? Following Federal Reserve guidelines we have created a total of \$180 out of \$100. (When you borrow that additional \$80, you have to pay interest on something the banker got for nothing!)

The Federal Reserve creates money out of nothing—thin air—to obtain government securities. By using their own clever banking principle, the Federal Reserve buys U.S. Government bonds, and then uses these securities as reserves to increase their lending capacity to buy more bonds. Literally, U.S. debts have become their assets (money?) to purchase more U.S. debts. (How can you use a debt to pay for a debt?)

If you do nothing with this information then you can expect to have all of your freedoms, and your wealth legislated away. Do you know your rights? Wake up! Our present civilization may collapse unless the Federal Reserve System becomes widely understood and corrected. All that is necessary for evil to triumph is for good men to do nothing...

99 Co. 1984

MANHATTAN

Federal Rent-A-TV Corp 1588 Yrk Av. 734-5777	FEDERATION OF AMER CONTROLLED SHIPPING 30 Bway 344-1483
Federal Reserve Bank Of New York 23 Liberty 791-5000	Federation Of Apparel Mfrs Inc 4507 Av. 594-0810
Treasury Bill Note & Bond Offerings 791-7773	Federation Of Catholic Teachers 342 West Av. 953-1194
Treasury Bill Note & Bond Auction Results 791-5822	Federation Of City Wide Black Assn 51 Chambers 564-0253
Savings Bond Information 791-5965	FEDERATION OF COOPERATIVES INC 445 Gram 677-1050
Public Information 791-6130	Federation Of French Alliances 22 E 60 355-6100
Guided Tours 791-6130	Federation Of French War Veterans INC 325 Gram 620-7549
Publications 791-6134	Federation Of Greater N Y R & P C 225 Inc 3102 Kensington Av Bx 568-4200
Employment Office 791-6040	FEDERATION OF JEWISH PHILANTHROPIES OF N Y 130 E 59 920-1800
All Other Information 791-5000	Federation Of N Y Homeing Cooperatives 138-10 Fresh Av Flt 718 333-5080
FEDERAL RESTRNT SUPL CO INC 202 Bway 226-0442	Federation Of National Assn
FEDERAL SAMPLE CARD 45-20 83 Elm 718 438-1344	
Federal Sandwich Shop 92 Duane 732-4680	
Federal Savings & Loan Insurance Corp 1 World Trade Ctr 432-2000	
Federal Scientific Corp 245 Livingston Av Hempstead H.A. 201 747-7100	
Federal Screw & Supt Corp 525 Broome 966-5760	

The Federal Reserve is not listed under U.S. Government. It is not owned by the people of the United States for their benefit.

It is owned by private stock holders of its member banks for their benefit.

As of 11:05 Tuesday, July 26, 1983, the list of member banks holding Federal Reserve Bank of New York stock includes twenty-seven New York City banks. Listed below are the number of shares held by ten of these banks, amounting to 66% of the total outstanding number of shares, namely 7,005,700:

Bank Name	Shares	Percent
Bankers Trust Company	438,831	(6%)
Bank of New York	141,482	(2%)
Chase Manhattan Bank	1,011,862	(14%)
Chemical Bank	544,962	(8%)
Ciubank	1,090,813	(15%)
European American Bank & Trust	127,800	(2%)
J. Henry Schroder Bank & Trust	37,493	(.5%)
Manufacturers Hanover	509,852	(7%)
Morgan Guaranty Trust	655,443	(9%)
National Bank of North America	105,600	(2%)

Federal Reserve Act violates law

What about the U.S. Constitution? Article VI, Section 2 says, "This constitution and the laws of the United States which shall be made in Pursuance thereof... shall be the Supreme Law of the Land; and the Judges in every state be bound thereby; anything in the Constitution or Laws of any State to the contrary notwithstanding."

It is impossible for both the Constitution and a law violating it to be valid: One must prevail!

Michael J. Bruner
Box 168
Palmer, Alaska 99645

Congress of the United States
House of Representatives
Washington, D.C. 20515

January 10, 1985

Mr. Michael J. Bruner
Box 168
Palmer, Alaska 99645

Dear Mr. Bruner:

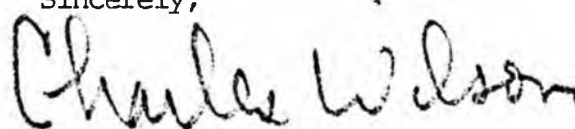
Thank you for your letter concerning the constitutionality of the Federal Reserve and for your suggestion for the Congress to set interest rates at 3%.

With 435 members in the House of Representatives and 100 members in the Senate, all representing diverse interests, don't you think it would create fiscal chaos for this body to be the fiscal regulatory authority?

I do anticipate a move to some sort of flat tax in the near future which may offer a more equitable umbrella for the average taxpayer.

Please continue to keep in touch.

Sincerely,



Charles Wilson

CW:pw

Alaska State Legislature

COMMITTEES:

Committee on Community and Regional Affairs
Committee on Transportation
Special Committee on Oil and Gas
Special Committee on Fisheries
Finance Sub-committee on Fish and Game



Andre Marrou
Representative

District 5

Kenai	Sterling
Soldotna	Anchor Point
Homer	Port Graham
Seldovia	English Bay
Kachemak	Nikolaevsk
Kasilof	Halibut Cove
Ninilchik	Clam Gulch

April 18, 1985

To: Mike Miller, Chairman House Judiciary
From: Andre Marrou 

Subject: HJR 26 Federal Reserve System, Audit and Legal Suit

Here is some background information regarding HJR 26. Available literature addressing this problem is enough to fill a library. People have been talking about the role of the Federal Reserve system for decades. Some states, as you will see by reading the attached material, have taken action.

The "Fed." was originally created in 1913 for the expressed purpose of regulating an expanding and contracting money supply that would cater to the currency needs of the country. The explicit reason it was formed was to avoid things like recession, depression and inflation. To this end, they have failed miserably. It was the "Fed." which led us into our great depression; the very calamity they were suppose to protect us from!¹ They also can be held directly or indirectly responsible for every gyration our economy has taken since².

Of a particular concern is the constitutionality of the Fed. The U.S. Constitution clearly states, Article I, Sec. 8, "The Congress shall... coin money, regulate the value thereof...". No provision to delegate this authority to another body is provided for. Article I, Sec. 10: "No state shall...make anything but gold or silver coin a tender in payment of debts...". If we are to throw out and ignore these provisions of our constitution, which section will be next? The power to coin currency and control economies has been abused many times throughout history. This is why the drafters of our constitution specifically refer to gold and silver.

I respectfully request a hearing on this bill. Please call if you have any questions.

1. Free to Choose, by Milton Friedman, (1976 Nobel Laureate in Economics)
2. Bright Promises, Dismal Performance, by Milton Friedman

Washington State Senate

RECEIVED MAR 0 5 1985

METCALF

Jack Metcalf
10th District



January, 1985

Dear Fellow Legislator:

Idaho and Virginia, Arizona and Alabama have already acted. Washington State has acted. The national organizations of legislators and legislatures - the Western State Conference of the Council of State Governments and the National Conference of State Legislatures - have also taken a stand and studies are underway.

Action is pending or has been introduced and passed in one house of several state legislatures. Is your state one of those?

The subject: national economic policy as practiced by the Federal Reserve and its affect on our ability as legislators to find adequate funding for state programs or to balance our own state budgets.

Don't stop reading here with a shrug and a thought, "there's nothing we can do about federal economic policies." There is much we can do - and much that has already been done.

The recent recession (depression in Washington State and many others) with its high unemployment, monetary instability, usurious interest rates and disastrous trade deficits spurred many to action and to the realization that state legislators DO have a stake in this problem and DO have a constitutional responsibility to spur a reluctant Congress to action. It's our problem - as individuals and as legislators. It has been encouraging to see the mounting evidence that states accept this responsibility - and in concert have begun to take action.

Idaho and Virginia voted to ask Congress for an independent audit of the Fed; Arizona and Alabama passed memorials asking Congress to abolish the Fed. Similar measures have passed one house in several other states.

The National Conference of State Legislatures held two hearings (December, 1982 and May, 1984) and at their Boston meeting last July passed a resolution similar to the one enclosed and requested further hearings at the 1985 summer annual meeting in Seattle.

The Western States Conference of the Council of State Governments passed the enclosed resolution at their Phoenix meeting last September.

The purpose of this letter is (1) to alert you to these state actions urging reform of our present unsound money system; (2) to urge you support these efforts in your state legislatures and at our national legislative meetings and (3) to urge you and your state to join Washington in a first step that can decisively impact the effort for monetary reform.

Let me explain #3: Any understanding of the intent of the founders would render the present money system clearly unconstitutional. Those who wrote and ratified the Constitution understood the need for an honest money system that would serve the people and could not be manipulated for special interest advantage. They would have been appalled at the idea of delegating total monetary power to any group not constitutionally established or specifically committed to the people's interest.

Yet today, such total power is held by the Federal Reserve, a body which operates in secret, publishes no precise minutes and is not subject to control or oversight by the representatives of the people or by any elected body or official. Frankly, it is no more "Federal" than the "Federal Express", but is a body controlled by the multinational banking interests.

Understanding this and reacting to the devastation caused our state by the 1981-83 recession, the Washington State Legislature passed Senate Concurrent Resolution #127, which contained this language:

"NOW, THEREFORE, BE IT RESOLVED, That it is hereby the declared intent of the State of Washington to cause to be filed in the U. S. Supreme Court (1) an action challenging the constitutionality of the delegation of the power to create money to the Federal Reserve; and (2) an action to require an independent audit of the Federal Reserve."

It is now Washington State policy to bring the suit - but one state has not the "clout" of several states acting together. Because this is obviously an issue of monumental importance to each state and to the nation, it is vital that as many states as possible join with us.

I thought of enclosing a great deal of background material on this crucial issue - but I've kept that to a minimum. I have enclosed a sheet of suggested material. If you wish more information - do not hesitate to request it or to call me to discuss the issue.

Please bear in mind two points: (1) monetary reform is a volatile issue and many people are outspoken and even radical on the subject (this is partly because Congress has refused to squarely face this issue even as our national economic stability has disintegrated in recent years.) Do not be "turned off" on the need for monetary reform because of actions or statements by some too intense individuals. Please judge this issue on its own merits; (2) understand I am neither discussing nor advocating gold or silver coinage, U. S. Notes or any particular solution at this time; first we have to understand the magnitude of the problem.

A later step will be to implement a constitutional money system or offer a constitutional amendment to establish an honest money system that will protect our people from the glaring inadequacies of the present debt-money system.

Under our present system (almost) all money in circulation is issued, not by the United State government, but by the Federal Reserve or the commercial banks, and the people are charged interest on it, either directly or indirectly. An alternative is a debt-free money system - money issued by the United States government that does not bear interest.

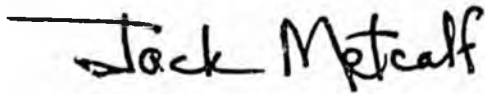
We have an enormous problem which ultimately threatens those who elected us and who trust us to represent their interests. We are earnestly saying the present system is unconstitutional and a ruling from the high court is desperately needed.

I am asking that you introduce in your legislature a measure similar to that printed on the back of this letter. If invited, I will make every effort to come to your legislature to testify, or recommend experts from your state who would speak on this or similar legislation.

Please ALSO introduce a memorial to Congress asking that they abolish the Fed. This sounds radical - but as Congress tends to ignore our official messages to them, the more states that pass such a memorial the more likely we are to finally get their attention! Just a few states acting can be ignored; many states acting in concert with the national legislative organizations cannot be ignored indefinitely!

Please give this matter the intense consideration it deserves. There is no other issue, except that of nuclear war, as vital to the interests of those who have elected us. Contact me with your ideas, questions or requests for further information.

Sincerely,

A handwritten signature in cursive script that reads "Jack Metcalf". The signature is written in dark ink and is positioned below the word "Sincerely,".

Jack Metcalf
Senator, 10th District
State of Washington

JM/lb
Enclosures

P. S. If you feel this information is too new to you to move during this legislative session, please strongly consider encouraging an interim study of federal economic policies, which will pave the way for action next session.

APPROVED RESOLUTION NO. 84-17
EXAMINATION OF THE NATION'S MONEY SYSTEM

(Introduced by the Fiscal Affairs and Federalism Committee)

Urging Congress to Study the Nation's Money System

WHEREAS, a sound, stable money system is vital to a free nation to protect the economic and political liberty of the people; and

WHEREAS, the present money system, the Federal Reserve, was established to 1) end the "boom and bust" cycles, 2) stabilize the currency, 3) end farm foreclosures, and 4) provide for expansion of the money supply when needed; and

WHEREAS, since the introduction of the present money system, the Federal Reserve, our states and our people have suffered 1) recurring recession cycles, 2) a loss of 90% of the purchasing power of the dollar, and 3) farm foreclosures of thousands per week during the Great Depression of the 1930's and the 1981-83 depression; and

WHEREAS, the Federal Reserve has provided for the expansion of our money supply, but under their system they charge us interest on every Federal Reserve dollar in circulation; and

WHEREAS, no other issue affects our states and our people as directly, as labor, farmers, and businesses are absolutely dependent on the nation's money system and may be in grave danger in the near future without major reforms; and

WHEREAS, serious charges have been made that 1) the Federal Reserve has failed to achieve the objectives laid down when it was established, 2) the present debt-money system works to the disadvantage of the people and results in ever-higher interest rates for people, business, and government, 3) violations of prudent bank management practice by large U.S. banks in making loans all over the world have placed this nation, our banking system, and our taxpayers in dire jeopardy, and 4) Congress has been unwilling or unable to face this issue squarely and take action to protect us from further abuses;

NOW, THEREFORE, BE IT RESOLVED that the Western Legislative Conference of the Council of State Governments study the elements of the nation's present money system and reforms designed to protect the people and their economic security; and

BE IT FURTHER RESOLVED that the Western Legislative Conference calls on the Congress to study and hold hearings to examine the nation's money system and consider reforms of the system designed to protect the people and their economic security.

* RESOLUTION APPROVED BY CONFERENCE AT ITS 1984 ANNUAL MEETING ON SEPTEMBER 19
IN SCOTTSDALE, ARIZONA.

SUGGESTED READING LIST

- *TRUTH IN MONEY BOOK - Theodore R. Thoren & Richard F. Warner (260 pages)
The very best primer on what is wrong with our present money system - why it cannot possibly work in the interest of the average citizen.
- *THE GREAT COOKIE JAR - Dr. Edward E. Popp (180 pages)
An excellent discussion on the nature of money and why fractional reserve banking is fundamentally unsound.
- THE MOST SECRET SCIENCE - Col. Archibald Roberts (200 pages)
A discussion of our faulty monetary system and a compendium of testimony and official state actions in recent years exposing it.
- PIECES OF EIGHT - Dr. Edwin Vieira, Jr. (391 pages)
The monetary powers and disabilities of the United States Constitution, by one of the foremost constitutional attorneys in the United States.
- THE FEDERAL RESERVE and our MANIPULATED DOLLAR - Dr. Martin A. Larson (273 pages)
A book written in layman's language on the nature of money. A history of monetary policy in the United States and the origin, nature and operation of the Federal Reserve Act.
- MONEY CREATORS - Gertrude M. Coogan (340 pages) (1st Printing-1935, 12th Printing-1974)
Excellent narrative of our nation's money and banking history.
- BANKONOMICS IN ONE EASY LESSON - Peter Cook (175 pages)
Documented information on how leading commercial bankers in the position of class "A" directors of the Federal Reserve banks use the prestige of the Federal Reserve to enforce compliance of the commercial banking industry to either inflate or deflate periodically the national economy.
- QUOTATION SHEET ON MONEY (2 pages) - From Benjamin Franklin, John Adams, Jefferson and Madison to the present, America's leaders have realized and spoken out on the need for an honest money system.
- TRUTH IN MONEY BULLETINS (2 pages)
- #1 - Where does money come from?
 - #2 - The reform of the goldsmith
 - #3 - Banking: Who's wrong, or what's wrong?
 - #4 - What is the "prime rate" and who sets it?
 - #5 - The story of Goldville and its moral
 - #6 - The message to the unions: forced unemployment never cures inflation!
 - #7 - Only Congress can spank the Fed
 - #8 - The money faucet and the money drain
 - #9 - Monetary Science and the Gold Standard
 - #10- The principle of the debt-less printing press
 - #11- The awesome power of monetary authority: what is it? who should have it?
 - #12- What is debt-money?
 - #13- Federal Reserve Banks: the buck starts here
 - #14- Creating money: the secret of the Fed's phenomenal success
 - #15- The economic myth of "too much money"

* Available through my office. Send request to Senator Jack Metcalf, 202 Institutions Bldg., Olympia, WA 98504

Engineering: space-age technology can correct the money system

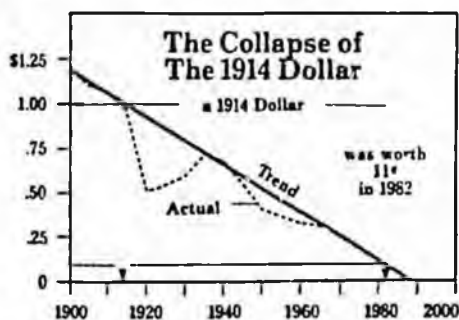
One of the biggest puzzles of economics in a scientific age, is the peculiar frequency with which money systems become woefully unstable and then collapse in a heap of foreclosures and unemployment. To the scientist, trained in the art of getting things right, chronic breakdown of a system is a signal that there is a serious and fundamental flaw in the system's design. The engineer ignores such a signal at his peril and so sets about exploring new avenues to discover what is wrong. The repetition of disaster is unacceptable in engineering.

For instance, say a bridge was designed and built back in 1913. It collapsed in 1920. The bridge was later rebuilt using the exact same blueprints and making no study of why it fell nor any structural corrections. The bridge fell again in 1929. It was rebuilt, again with no study and no changes. The bridge fell again in 1958 and again in 1962, both times it was rebuilt according to the old blueprints. It fell down again in 1973 and was rebuilt using the old blueprints. It is trembling and shaking right now and the same old tattered blueprints are being hauled out again. The bridge repairmen are in their hard hats, waiting for the next terrible crash.

Engineers with this track record could never have survived. They wouldn't have been allowed to survive professionally because engineers are required to be right; or at least they are required to find their mistakes — preferably before a disaster — and correct them.

Of course the bridge is a thinly veiled allusion to the successive economic disasters the country has suffered since the founding of the

Federal Reserve System in 1913. The economy is now on the brink of the sixth major recession/depression in 70 years. These are events which the Federal Reserve System was supposed to render obsolete. Yet once again there is uncertainty both about the direction of the economy and what measures should be taken to forestall another major financial collapse.



What would an engineer do?

To the engineer, chronic instability of any system raises the important question: why?

If a problem keeps recurring in any area of engineering, the engineer stands back and analyzes the problem. There is obviously a need to find out precisely what is going wrong, and why.

Of course, economists have been studying the problem of monetary instability and they ought to know exactly what is going wrong.

Yet when one studies economics, it becomes clear that every school of economic thought is based on a different set of hypotheses. It is as if Caltech taught one type of physics based on a belief in gravity, while

MIT taught another type based on a disbelief in it.

In order to get at the root of the cause of monetary instability it is necessary to depart from economic hypotheses and go straight to the mathematics of money-creation.

The analysis

The first step that is necessary in analyzing the mathematics of money-creation is recognizing that money is created as debt. The other steps of the analysis follow this pattern:

1. Money is created as debt. This is a fact which is admitted by many economists. Here is how one put it:

Most people have heard that in some mysterious manner banks can create money out of thin air, but few really understand how the process works. Few understand that all our money arises out of debt and IOU operations.¹

(In fact, a little money is created debt-free, but it is such a small amount as to be almost negligible.)

2. Debt principal and interest paid to a bank are extinguished. The money is removed from the money supply. Higher rates of interest drain larger quantities of money out of the economy. High interest rates cause a critical money shortage.

3. Debt-money is created by the Federal Reserve and commercial banks.

4. Money is created by the banks as numbers written in their customers' checking accounts. These numbers conform to the laws of mathematics.

5. When money is created only as debt, a mathematical formula governs the growth of this debt. This is the same formula for computing compound interest:

$$D = P(1 + r)^n$$

Where: D is the debt

P is the borrowed principal
r is the annual interest rate
n is the number of years.

Note that this formula is an exponential; it is in the general form of

$y = a^x$. This is a vitally important fact which is totally ignored in most standard economics textbooks.

6. When debt-money is created as a loan, only the borrowed principal is created. Money to pay interest on this principal is not created with the loan.

7. Because the money to pay interest is not created in the system, more money must be borrowed, at interest, in order to pay interest. The system becomes locked into a vicious cycle of borrowing to pay compounding debt which is *mathematically unpayable*.

8. The growth of a \$100 loan at 6% interest is helpful to illustrate exponential debt growth. Here are the figures for 70 years with no principal payments and the interest paid by borrowing it from a bank.

10. Of course, many borrowers are able to pay off their debts. So, how could it be that debt is "mathematically unpayable?" This may seem incongruous at first, until one looks at the *total* debt of the American economy. To illustrate this point, we could look at the total debt at the end of 1981 and compare it with the amount of money which was available to pay off this debt:

Total debt in USA: \$1,004 billion Federal debt
4,196 billion private debt
\$5,210 billion total debt

M1 money supply available to pay off \$5,210 billion: \$ 480 billion

For every \$11 of debt in the economy, there was only \$1 available to pay it off in 1981. Thus, while some people, industries, and governments may have paid off their bank debts, the huge excess of debt

rowed principal is never created with the loan. So it becomes necessary for millions of borrowers to borrow more money to pay interest. This eventually locks them into a condition of having to borrow just to pay interest. As this occurs, their debt begins to increase exponentially, according to the formula $D = P(1 + r)^n$. In order to keep up with the increasing cost of business debts, they must increase the prices of the goods and services they produce. These prices increase exponentially to keep pace with interest costs. This is the factor which generates the exponential increase of prices for everything from bread to local taxes.

12. Inflation, depression and unemployment — the three disastrous faults of the American economy — are all caused by a *shortage of money*.

13. This chronic and critical money shortage is actually a "gross design error" in the money system. The shortage is a direct result of the design of the system, or method, used by the banking system to "supply" money to the economy.

The basic structure of the Federal Reserve's debt-money system can be outlined as follows:

An all-debt money system is unstable because:

A. money is created as loans and therefore debt;

B. only the principal is placed into circulation as the money supply (M1) when loans are made;

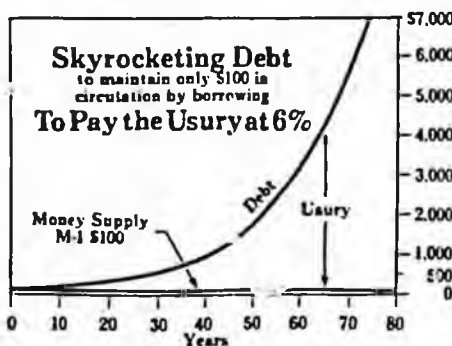
C. so there is no money to pay the interest without reducing the money supply to the point where total debt is unpayable because any payment of interest or principal withdraws money from circulation;

D. this withdrawal of money sets up a shortage which triggers demand for additional borrowing and debt just to prevent a decline in the money supply;

E. the additional borrowing expands the debt exponentially thereby expanding the interest burden exponentially.

Year	Original borrowed principal P	Debt at year end D	Interest due at year end (6%) I	Money in circulation (M1)
1	\$100	\$ 106.00	\$ 6.00	\$100
2	(remains the same)	112.36	6.36	(remains the same)
3		119.10	6.74	
4		126.25	7.15	
5		133.82	7.57	
10		179.08	10.14	
20		320.71	18.51	
30		574.35	32.51	
40		1,028.57	58.22	
50		1,842.02	104.26	
60		3,298.77	186.72	
70		5,907.59	334.39	

9. Here are these figures plotted on a graph.



The definition of usury is: *Any charge at all by a private lender for the use of money he is allowed to create out of nothing as a debt to someone else and an interest-earning asset to himself.*

over money supply indicates that they borrowed to do so. If they didn't borrow, they somehow obtained money, which was someone else's principal!

11. Inflation is a direct result of a shortage of money. Stated another way, inflation is the direct result of *too much debt and too little money to pay it off.*

Here is the reason.

When companies and individuals borrow to produce goods and services, the interest charged by the banks for creating the money they lend is added to the cost of the goods and services as part of the producer's "cost of doing business." There is nothing mysterious about that. However, the money required to pay interest on the bor-

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