The Creature from Jekyll Island: A Second Look at the Federal Reserve Study Guide

The Creature from Jekyll Island: A Second Look at the Federal Reserve by G. Edward Griffin

Contents

Plot Summary

The author's primary theme was that central banking that used fiat money has led to failures, encouraged wars and became an instrument of totalitarianism. The central bank of the US was conceptualized in 1910 during a secret meeting on Jekyll Island off the coast of Georgia. Through various political and financial manipulations by a handful of wealthy people, the US central bank was created and deceptively named the Federal Reserve System, commonly called the Fed. The name was purposefully selected to fool people into thinking that the Fed was a part of the Federal government. Many other misconceptions have been presented as fact in colleges and universities for their economics studies, including that the Fed prevented depressions and recessions. History has demonstrated that this was not true with the Great Depression, the boom-bust business cycle, and the Savings and Loan or S&L crisis of the 1980s.

The author proposed that the US should return to money based on the intrinsic value of a precious metal. Silver with gold as an auxiliary metal was his ideal solution. This money would replace fiat money, which had no backing of any sort. He acknowledged that this transition would involve financial crisis for many people, but that the resulting stable economy would be worth the effort.

Central to the author's argument was conspiracy theory. The wealthy financiers of the world wanted to dominate by bringing all countries into the central banking system and eventually under a world government. All countries would use the same currency as well, regulated by the International Monetary Fund or IMF and the World Bank. The UN would police the world with so-called peace-keeping forces. In effect, the world would become entirely socialistic. Capitalism would no longer be practiced. The author pointed out that nearly all the players in this conspiracy had at one time served on the Council on Foreign Relations or CFR. This was characterized as a training ground for the conspirators.

Many other conspiracy theories common today could have branched out from this one. The idea that the US should quit the UN and send it elsewhere than New York City has been promoted. Fear of a UN military force hiding in hollowed out mountains has been expressed, as well as suspicion that black UN helicopters have been patrolling the nation. A conspiracy theory has developed that the US government was secretly behind the 9/11 terrorist attacks. Whether any of these conspiracy theories turn out true may not have been as important as the attraction many people had for them. The author claimed repeatedly that his ideas about economics did not constitute a conspiracy theory, yet the argument contained all the hallmarks of conspiracy theory. Small groups of powerful men kept meeting secretly. These men knew all along what they wanted to happen, and that was to destroy the United States of America. Furthermore, in the absence of direct evidence, the author pointed to known outcomes and interpreted them not as mistakes, but the goals of a master plan.

Section I. What Creature Is This? Chapter 1 The Journey to Jekyll Island

Section I. What Creature Is This? Chapter 1 The Journey to Jekyll Island Summary and Analysis

Summary

The primary idea given is that the Federal Reserve System has not worked as advertised. This system was roughed out in a secret meeting at Jekyll Island off the southern Atlantic coast in 1910. Since that time, more information about that meeting has come out, and now it is known that Paul Moritz Warburg was the mastermind behind the Federal Reserve System.

The banking system before the Federal Reserve System allowed banks to lend out more money than they held in deposits, up to ninety-nine percent loaned out with only one percent in deposits. This inevitably led to massive bank failures from two pressures. They were public runs on the banks and currency drains from other banks demanding payments. A public run was when many depositors demanded their cash from a bank and wiped out the bank's reserves. A currency drain happened when many depositors wrote checks, and the receivers of the checks cashed them at another bank, thereby requiring more money from the first bank than it had on hand. The Federal Reserve System was designed to control how much reserve cash any member bank had to keep on hand. Its advertised purpose was to stabilize the economy, but depressions and recessions have resulted instead in a boom-bust cycle. Furthermore, when the whole system collapsed, which it ultimately had to do, taxpayer money went into bolstering the failed system back up. Meanwhile the rich got richer, the poor got poorer and the middle classes struggled with inflation.

Analysis

This was a conspiracy theory of the old school, well researched and footnoted. People have realized, at least a little bit, that our economic system had been rigged somewhere in the past to favor the rich by stealing from the poor and middle classes. This conspiracy theory pointed the finger at the meeting on Jekyll Island that occurred in 1910 and slapped a face on it, that of Paul Moritz Warburg, a mild-mannered, shy and sensitive man.

The Federal Reserve System was concocted not to stabilize the economy but to put economic control into the hands of a few people who agreed not to compete with one another, as the author explained. This cartel of powerful rich people then decided to do what Europe had already done with central banks—create a central bank of our own. But just as is done in today's politics, they needed to smear lipstick on the pig by giving it a different name that people would misinterpret as being part of the Federal government and not a cartel-driven central bank. The name they came up with was the Federal Reserve System, and to this day many people assume that it is part of the Federal government. It is not and never was.

The undeniable history since 1910 supports the conspiracy theory. Our economy has gone through a devastating Great Depression and regular recessions over the decades since. A stable economy does not do that, so if that was the real reason for creating the Federal Reserve System, it has been a monumental failure. The real reason for creating this monster, as the author called it, was to keep rich people in power and make them ever richer. Another part of this scheme involved sloughing off the responsibility for economic collapse onto the taxpayer in the form of bailouts. This has also happened while the bailouts get bigger each time.

The problem with this conspiracy theory is that the economy has also had long periods of high performance in which millionaires and billionaires were created. The platitude of saving for a rainy day was invented far before the Federal Reserve System, and the point made that many banks were failing before this system refutes the conspiracy theory. Also, inflation has been a problem for the rich and poor alike, although it hit the chronically poor harder than anyone.

Nevertheless, this conspiracy theory gained enough traction to support an organization founded by the author, its main goal being the elimination of the Federal Reserve System and a return to something like the gold standard. These goals have entered the conservative mainstream to a degree lately, and time will tell if enough people will come on board to bring about some kind of new economic model. Most people will agree that something went wrong with what we have. Most would be surprised that it may have went wrong from the beginning stages of the Federal Reserve System, and on purpose for a hidden agenda.

Section I. What Creature Is This? Chapter 2 The Name of the Game Is Bailout

Section I. What Creature Is This? Chapter 2 The Name of the Game Is Bailout Summary and Analysis

Summary

Financial experts were taught that the way banking worked in the US was the only way it could work, and so the fraud kept on going. Banks loaned depositors' money out to risky debtors who would likely not be able to pay the loans off, which was what the banks wanted. The banks made money on interest, not principle, payments. The game was played in stages. First the debtor would default and stop making payments. Then the bank would arrange for interest payments only to keep the profits coming in. The bank's next move was to offer the debtor more credit, and that increased the interest payments. If the debtors stopped paying altogether, the Federal Reserve System gave the banks more money. This was how the banks kept individuals, businesses and entire countries perpetually in debt and working mostly for the banks.

The US government worsened the situation by putting up guarantees, such as FDIC (Federal Deposit Insurance Corporation). This was not an actual insurance company but another way to pay off banking mistakes through the taxpayer. Then the Federal Reserve System would create new money that would immediately enter the economy and dilute the value of the money already in the system. People considered this inflationary as the prices of goods and services rose, but in reality this was a devaluing of the currency.

Analysis

Using a football analogy, the problems with the banking system were presented in a fairly understandable way. The players were the banks, the officials were the government, and the fans were the taxpayers. While the game of economics was played, the fans' hubcaps were being stolen from the parking lot. After the game was over, the fans noticed that their hubcaps were missing but did not understand why or who took them.

The entire problem was summed up as the banks having no good reason to be cautious with granting loans, termed lacking moral hazard. This was exactly the central problem for the economic meltdown in 2008—toxic assets, also known as mortgages and loans. The banks had incentive in terms of high profits for granting mortgages to home buyers who would not be able to pay the loans off, but who might be able to make interest payments. High unemployment compounded this problem, forcing people into foreclosures and drying up the housing market. Another problem was the mysterious derivatives that hardly anyone understood. The author did not mention them possibly because the problem was unknown at the time he was writing.

One of the arguments used outside this book was that people who went too far into debt had done this on their own. Nobody had forced them into the mortgages or credit cards, and this was true. Making the problem worse was the establishment of the FDIC, which guarantees deposits should a covered bank run out of money. The author proposed that a voluntary insurance plan would work better and ignored the fact that not all banks were covered by FDIC. Only members of the Federal Reserve System received coverage.

The author made the point that when the Federal Reserve System creates money, it devalues the dollar rather than causing inflation, implying that devaluation was worse than inflation. The author did not mention deflation, which many economists considered the very worst thing that could have happened during the meltdown of 2008.

Section I. What Creature Is This? Chapter 3 Protectors of the Public

Section I. What Creature Is This? Chapter 3 Protectors of the Public Summary and Analysis

Summary

A history of bailouts was outlined in this chapter, starting in 1970 with Penn Central Railroad. The bailout resulted in government-owned Amtrak, which continues to operate at a loss, and privately owned Conrail, which makes a profit. Amtrak had been the passenger side of Penn Central, while Conrail had been the freight side. Also in 1970, Lockheed Corporation had troubles and became a prime government contractor, another way of nationalizing private industry. Unity Bank fell in 1972, as did the Commonwealth Bank of Detroit, and New York City became a major part of the welfare state in 1975 via Federal government bailouts. First Pennsylvania Bank was bailed out in 1980 and the first electronic run on banks happened in 1983, leading to a massive bailout in the $6 billion range.

Ironically, the nationalization of banks occurred during conservative as well as liberal administrations and can be explained as being such a strong part of the overall economy that political ideology did not matter. The names changed depending on ideology, but the principle remained the same. As long as the Federal Reserve System existed, it would continue nationalizing banks and perhaps other industries as they fell into financial difficulties. The Federal Reserve System had become the lender of last resort, and the justification always remained the same. Nationalization was necessary for the public good.

Analysis

One take on politics maintained that it was the art of the possible. However, the possible turned out to be new and inventive ways to justify the nationalization of banks through the use of bailouts. According to the author, this had been the plan all along since 1910. Additionally, large banks would get bailouts, medium-sized banks would get some bailouts, and small banks would be left to fail or be acquired by larger banks. The history of bailouts supported this notion, as did a few comments made by financial leaders at the time.

The author dismissed all the reasons that were given why the government bailed out bank after bank every so many years as merely excuses. The fundamental argument consisted of a broken system that simply could not be regulated enough to work without eventually nationalizing all banking and industry. A counter-argument might be that regulation, when properly administered, had worked from the time of Franklin D. Roosevelt (President of the US from 1933 to 1945) to 1970, so what changed over thirty or forty years? The argument could be made that lax lending practices and overly speculative investments had forced the government to use tax dollars in the bailouts.

The author carefully selected his quotations to support his ideas on what might have been discussed during the 1910 meeting at Jekyll Island, but the fact remained that only some of the participants talked about this subject in interviews conducted years later. Further doubt existed because the author's entire analysis was an exercise in historical analysis from subsequent events, which is by nature flawed due to the guesswork involved. Despite this, the author did construct a tight and convincing overall argument that our economic system had been broken at some time in the past, although the author failed to mention that it may have been fixed in the interim and then broken again.

Section I. What Creature Is This? Chapter 4 Home Sweet Loan

Section I. What Creature Is This? Chapter 4 Home Sweet Loan Summary and Analysis

Summary

During the Great Depression of the 1930s, the American public became interested in socialism as an alternative to capitalism. The politicians of the day picked up on this, most notably Franklin D. Roosevelt, and policies brought about a hybrid of socialism and capitalism. The trouble with this move was to abandon the free market principles that were supposed to have worked with a purely capitalistic system.

The Savings and Loan or S&L crisis of the 1980s happened because the government tried to insure the deposits, but the funds to do this were not adequate. On top of this, government regulations allowed S&Ls to claim assets that had no value, such as community good will toward them, and encouraged bad lending practices to increase home ownership. The Federal Reserve System usurped the powers of Congress and started handing out money directly to the S&Ls as well. When Congress did step in, it forced the S&Ls to sell off all their junk bond holdings, having fallen for bad publicity about the small business bonds that were actually outperforming so-called investment quality bonds. The S&L system turned out to actually be a cartel within a cartel.

Analysis

The troubles that the S&Ls ran into during the 1980s may have had more reasons than those given by the author. Inflation was in the double-digits and real estate prices were going up rapidly. The S&Ls were offering better interest rates on deposits than banks, and that attracted money into them. However, wages were not keeping up with inflation, which made housing harder to obtain. Housing co-ops, where several unrelated people would agree to buy a single house through a legal contract, became another way to buy a home. Less expensive condominiums that oftentimes had been rental apartments became another way. Rent-to-buy deals popped into the market.

Other pressures on the housing market included the depression in the rust belt that included northern Midwestern states such as Michigan, Ohio and Pennsylvania that reduced the number of potential home buyers, which in turn depressed housing prices in those areas. Few people could buy in the glutted market because the good manufacturing jobs had gone away. In other areas of the country, especially on either coast, housing prices continued to soar. Silicon Valley, where the relatively new industry of high-tech was growing near San Francisco, experienced extreme real estate inflation. The same was occurring along the Front Range in Colorado (Fort Collins, Denver, Colorado Springs). As the old rust belt industries of steel making, vehicle manufacturing and related industries fell into depression, the newer high tech industry was creating new jobs for the displaced workers. These jobs paid well while offering lucrative career paths into tech support, engineering, sales, and management.

A full analysis of what happened to the economy in the 1980s would need to consider all the pressures, both positive and negative. The big tax cuts that President Reagan pushed for and attained should be considered, along with the emerging global economy enabled by high-tech. The author may have oversimplified by pointing to government regulation, or more accurately bad government regulation, as the cause of the S&L crisis. He implied that all government regulation is bad, but this may not be the case.

Section I. What Creature Is This? Chapters 5-6 Nearer to the Heart's Desire; Building the New World Order

Section I. What Creature Is This? Chapters 5-6 Nearer to the Heart's Desire; Building the New World Order Summary and Analysis

Summary

In 1944, as explained in Chapter 5, the Bretton Woods Conference took place, out of which came the International Monetary Fund or IMF and World Bank, two organizations associated but not tied directly to the United Nations. Member nations contributed to the IMF, with the US giving the most. In 1971, President Nixon took the US dollar off its gold backing so that dollars could not be redeemed for gold. The author maintained that these were further steps toward world socialism that resulted in mass murders, famine and economically destroyed countries. This pointed to another reason for abolishing the Federal Reserve System: It promoted totalitarianism. The author used Tanzania, Argentina, Brazil and Mexico as examples of IMF and World Bank failures.

Chapter 6 explained that the New World Order was an outgrowth of the international events that led up to the fall of communism, specifically the dissolution of the USSR. In the New World Order, all nations became socialistic through the use of the IMF and direct loans from the industrialized nations to the undeveloped nations. This was an effective means of redistributing wealth from rich to poor nations. The ultimate goal was to bring about a single world government with a single world currency.

Analysis

This conspiracy theory encompassed the entire world by connecting the United Nations with socialism. In order to bolster the argument, the author at times stretched the idea of socialism while at one point misusing a quote from George Bernard Shaw as evidence that mass murder had been an inherent characteristic of socialism. The quote used was likely intended by Shaw, who was known to have a sharp sense of humor, to be witty.

Conspiracy theorists have often resorted to soft definitions and the misuse of quotations to strengthen their theories. Without the use of these tactics, the theories would have fallen apart in their early stages of development. Another tactic had been to cherry-pick examples while oversimplifying causes. The examples used in this chapter gave the impression that nothing the IMF or World Bank has done worked out successfully, except for one aside comment that a loan had indeed been paid back.

The author took great pains to defend his position as not being a conspiracy theory. He gave the reader two options, either believe all this was planned out from the beginning or believe that it was all accidental. This is a hallmark of conspiracy theory that does not take into account the oftentimes chaotic nature of reality and disallows any mixing of plans and unforeseen accidents. The argument was basically that there were two kinds of people in the world—those who believed in conspiracy and those who did not.

Again the author used specific examples and quotations, but this time the quotations were often taken from columnists who wrote opinion-editorial pieces for newspapers. The use of op-ed pieces in support of an argument brought up the begging question of what the columnists with different opinions wrote about the subject, and pointed to the weakness of this form of supporting evidence.

The facts about how international debts had been defaulted on were undeniable, but the reasons given for the defaults were questionable. Central to the author's thesis was that a few scheming people were constantly and consistently strapping the taxpayer with the costs of the bad loans, and that all these people knew exactly what they were doing. Everybody had the same game plan and play book. The author pointed out that US leaders involved had mostly all served on the Council on Foreign Relations and that this was the "brain trust of implementing the Fabian plan" (pg. 110) The Fabian plan had to do with making the world one big socialized government.

Section II. A Crash Course on Money, Chapters 7-8 The Barbaric Metal; Fool's Gold

Section II. A Crash Course on Money, Chapters 7-8 The Barbaric Metal; Fool's Gold Summary and Analysis

Summary

During the history of money development, according to Chapter 7, trade started out with bartering commodities, cows traded for grain and so on. The ancient Greeks came up with the idea to make coins out of gold and silver, and they ensured weights and purity. This led to a stable economy, which always happened when the money had intrinsic value itself. Economies ran into trouble when paper money not backed by precious metal (fiat money) was used. This kind of money inevitably led to inflation and political upheaval.

As explained in Chapter 8, the development of paper money started out as simply receipts issued by goldsmiths who kept other people's gold coins in the goldsmiths' vaults. Banks evolved out of this and leant a portion of the deposited gold coins, up to eighty-five percent. The receipts were the first paper money backed by gold, and the early banks made money via interest payments.

Economic troubles came when governments issued paper money not backed by gold. The temptation was too strong to simply print more money to increase the money supply, which resulted in severe inflation. Soon the paper money had become worthless. A variation on this was fractional money, where the paper money started out backed by gold but was diluted as more paper money was printed. The American Colonies experienced terrible bouts of inflation, and when the United States was formed, the Constitution required gold-backed money. A few generations later, the country returned to fiat money and all its problems.

Analysis

Everything the author argued was true. Paper money not backed by precious metal and when overproduced did lead to high inflation and political turmoil. A similar effect occurred when the coinage was debased through lower percentages of precious metal or none at all. The point made that gold had been the perfect compromise between intrinsic value and scarcity throughout history was also a sound argument, upheld by the fact that platinum, a more scarce metal, had not been used for coinage.

The author explained accurately how inflation worked with paper money. He also revealed the main idea behind capitalism, investment and return on investment. The concept of deflation was also explored a little, which happened when prices suddenly tumbled. Deflation meant the people in debt had to pay back more value (dollars worth more) on loans taken out during inflationary times. A recent example of this was when the housing market bubble burst. Suddenly people owed more money on their properties than they were worth, a condition termed having gone underwater.

The point was that economies based on the gold standard had not experienced the boom-bust phenomena of modern economies. Rejected was the idea that wealth tied in with production and the development of new markets, such as personal computers and smartphones. The author promoted a somewhat myopic economic view that gold with its intrinsic value was the only path to a stable economy no matter what else governments attempted to do because inflation had to develop from the use of fiat money.

Section II. A Crash Course on Money, Chapters 9-10 The Secret Science; The Mandrake Mechanism

Section II. A Crash Course on Money, Chapters 9-10 The Secret Science; The Mandrake Mechanism Summary and Analysis

Summary

According to Chapter 9, the city-state of Venice was considered to have started banking as known today by establishing the Banco della Piazza del Rialto in 1584. By 1619 this was changed to Banco del Giro. A host of other followed, all with the same fatal flaw of lending out more money than they held in reserves. In 1609 the Bank of Amsterdam was formed and restricted from making loans with its deposits, but this did not last. The Bank was closed in 1790. The Bank of Hamburg did better. Formed in the early 1600s, it stayed solvent until Napoleon captured it in 1813 and took the millions of German marks, minted from precious metals, for France. The Bank of England had its rocky times too, finally being formed into the model that the Federal Reserve System followed.

Sometimes the banks were on a gold system, but most often they went to a fiat money system. Governments liked the fiat money because it was a way of confiscating wealth from the citizens without raising taxes. This was accomplished by devaluing the currency through use of the printing press. Governments simply printed more money when needed, usually during times of war. The author made the point that national debts were paid right away from the currency devaluation, and only the interest payments might be inherited by future generations.

In Chapter 10, the author called the monetary system in the US the Mandrake Mechanism, named after the comic strip character Mandrake the Magician from the 1940s. The system was constructed for debt to be necessary in order for the money supply to remain in existence. Zero debt would mean zero money supply. The Mandrake Mechanism started with government debt converted into security assets, Federal Reserve checks, government deposits, government checks, commercial bank deposits, bank reserves, excess reserves and finally into bank loans. The system was intentionally made complex and difficult to understand in order to hide what was really going on. The results of this system included social planning and hidden taxation by means of inflation. The Mandrake Mechanism worked to expand the money supply but also contract it when performed in reverse.

Analysis

A solid case against fiat monetary systems was established. As long as governments wanted ever more money for projects such as wars, building infrastructure and social programs, the governments would increase the money supply. Since fiat money was not based on anything, nothing could hold its value stable. This was not true with money based on gold or even silver. The intrinsic value of the metals kept economies stable. Even though countries had gone to precious metal based systems after problems with fiat money, they inevitably forgot the bad parts of the system and could not resist the easy access to fast cash that fiat money provided.

The author maintained that the lending of money without having strong reserves was a huge part of the problem. This is what had led to bank runs, depressions and high rates of inflation. However, the examples given also included well governed fiat money systems that had worked for periods of time spanning decades. Fiat money systems had inherent dangers, but the implication was that strong governance over the money system could avoid the pitfalls while maintaining a stable economy. The trouble was that human nature could not resist the temptation to make money out of nothing but paper.

The biggest implication with the Mandrake Mechanism was that it could have worked well even with a tax rate of zero, according to the author. As long as the government created higher national debts, the money to pay the debts plus interest would be created. The downside was that this cannot go on forever without the entire system collapsing.

Chapter 10 fleshed out the Federal Reserve System with the main theme remaining the dissolution of the System. The presentation was organized logically and included such concepts as wealth redistribution through progressive taxation and how that was hurting the middle classes. The complexity of the Federal tax code was not taken into consideration with its tax shelters and other loopholes that can enable some wealthy people and organizations to pay relatively little tax.

Section III. The New Alchemy, Chapters 11-12 The Rothschild Formula; Sink the Lusitania!

Section III. The New Alchemy, Chapters 11-12 The Rothschild Formula; Sink the Lusitania! Summary and Analysis

Summary

As explained in Chapter 11, the Rothschild Formula was fundamentally that money could be made from warfare and from both sides of the conflicts. Mayer Amschel Rothschild and his five sons financed European wars from the middle of the eighteenth century into the nineteenth. They held sway over most political leaders of the time except for Napoleon, who rejected the idea of going into debt to fund wars. The Rothschilds funded England, and the result was victory for the English over Napoleon at Waterloo.

As explained in Chapter 12, World War I started in 1914 with the assassination of the Archduke of Austria-Hungary, Francis Ferdinand. England and France went heavily into debt until the countries had to hire the House of Morgan in partnership with the Rothschilds to sell their war bonds. The sales commissions were charged both ways, for selling the bonds and when the money was spent, most of it for American war materials.

Germany had developed submarines called U-boats and these were highly successful at disrupting the flow of war materials to England. In a shady deal struck up between England and the US, the British ship Lusitania was set up to be sunk by a U-boat operating in the North Atlantic near Ireland. The Lusitania was being used to transport munitions from the US to England under the guise of a passenger liner that also hauled goods. The sinking of this ship and death of its passengers, many of whom were US citizens, brought the US into the war. This was enough help to turn the tide.

Analysis

The author admitted that no direct evidence existed for the Rothschilds to have consciously concocted the Rothschild Formula, as he called it. However, the outcome had been the same, which was the perpetuation of wars for the sake of making money. The Rothschilds could have been simply taking advantage of the situation rather than promoting it, although providing loans for building up military units and keeping them going was a form of promotion. The principles of the Rothschild Formula were that war was the primary reason for governments to exist, that the threat of war caused countries to maintain or expand debt, that credible enemies had to be financed, that governments refusing to take on debt needed to have their internal conflicts expanded, and that no one nation should ever dominate militarily. These were the logical outcomes of financing via debt and fiat money, whether consciously planned or not.

Woodrow Wilson, President of the US during World War I, wanted to form a world government in order to usher in a long period of peace lasting a thousand years or more. He ran straight into the realities of money and politics. Certain powerful men, among them J.P. Morgan, would not allow Wilson to have his way because that would mean losing the lucrative business of war. The sinking of the Lusitania was famously known to have been a hoax for bringing the US into the war and, as the propaganda of the day stated, save the world for democracy. The Great War, as it was called while it progressed, was supposed to be the war to end all wars. The ploy worked with a naïve public for bringing in the US, but subsequent history demonstrated that wars would be numerous after Armistice Day (now Memorial Day).

The author presented an entirely cynical view of warfare as nothing more than a money-making scheme. He tied part of the problem, and perhaps the central problem, to the newly created Federal Reserve System, thus bolstering his argument for abolishing the System. However, this take ignored the political reasons why World War I started, which consisted of a network of treaties among countries. The treaties required that once war broke out, many nations had to take part. The money deals could have been incidental and not the cause of World War I. Nevertheless, the situations around the sinking of the Lusitania served as compelling support for the author's conspiracy theory.

Section III. The New Alchemy, Chapters 13-15 Masquerade in Moscow; The Best Enemy Money Can Buy; The Lost Treasure Map

Section III. The New Alchemy, Chapters 13-15 Masquerade in Moscow; The Best Enemy Money Can Buy; The Lost Treasure Map Summary and Analysis

Summary

According to Chapter 13, the Russian Bolshevik Revolution was not a revolution of and for the people, as history usually asserts, but the manipulations of a handful of financiers. A secret society was founded by Lord Alfred Milner and others that included Cecil Rhodes. The secret society had as its goal the dominance of the world through money controls. Other parts of the secret society showed up as the Council on Foreign Relations and even the Red Cross. J.P. Morgan worked the goal by financing all sides of political struggles so that no matter who won, that side would be beholding to him and his organizations. The overall idea was to mask what was really going on behind seemingly harmless organizations.

Chapter 14 explained that Russia went through two revolutions, one in February and the other in October. The first revolution brought in a somewhat democratic government, while the second brought in a tyrannical government. The October revolution was financed by European countries and the US. The USSR developed from there and was also financed from the same sources, just by different players as the years went by. The USSR never implemented true communism as a result but became a money-making machine for the secret money society that had turned into several branches called Round Tables. Even the fall of the USSR in the 1980s meant nothing from the perspective of the Round Tables. What was called communism had its name changed to social democracy, although the system worked exactly the same.

As explained in Chapter 15, the Constitution specifically restricted the use of fiat money by the states in Article I, Sections 8 and 10. Congress was not supposed to create fiat money either, but unfortunately this had not been stated as clearly. The reason the framers of the Constitution elected to eliminate fiat money was because rampant inflation had recently occurred, and the pain of that was still fresh in the framers' minds. The Continental Congress had issued fiat money known as Continentals, and from that period came the expression, "not worth a Continental."

The US dollar originated from Spanish eight-reales coins (pieces of eight) that were similar in weight and fineness to the Bavarian thaler, a silver coin first minted in 1519 and commonly used in the colonies. The term thaler was eventually pronounced dollar, and so the Spanish piece of eight was also called a dollar. In 1785 Congress adopted the Spanish dollar as the official US coin. The US dollar was defined as containing 371.25 grains of fine silver. In 1792 the Eagle was introduced, a gold coin containing 247.5 grains of fine gold and 15 times the worth of a silver dollar. This brought in problems because the worth ratio kept shifting as the bullion values of gold and silver changed by the law of supply and demand. However, by 1802 the US government had eliminated its deficit and realized a surplus nearly as large as its total spending.

Analysis

The primary support for this part of the conspiracy theory came from a book written by Dr. Carroll Quigley entitled Tragedy and Hope. This book had apparently been banned after its first printing, lending credibility to the conspiracy theory. Someone did not want the truth coming out, and yet the book became available. Either the conspiracy dissolved or the attempts at suppressing the book were carried out incompetently. The credibility dissolved somewhat off a simple online search that showed the book to be available from a 1975 printing, but the content might have been taken from the original publication. According to Quigley, the original publisher had destroyed the plates for the book. Regardless, the story had the ring of truth to it, and for conspiracy theory, that sound is golden.

The author drew his conclusion from listed circumstantial evidence. It mattered not what the power brokers called anything or how events were described. He looked for results, and those results pointed to manipulations of world politics through the use of fiat money in the form of loans guaranteed ultimately by the US, and thus the US taxpayers. Since many of the loans went unpaid or only partially paid, the author proposed that the US taxpayers actually funded both sides in the world wars, Korean War, Vietnam and the other military conflicts over this period of time. He also theorized that it was in the best interests of the Round Tables to keep Saddam Hussein in power. However, events that happened later contradicted this theory. Hussein was pushed out of power by the US and coalition forces in 2003.

The Revolutionary War destroyed the economy through the use of fiat money called Continentals. Having been traumatized by this, the framers of the Constitution banned fiat money and insisted on a metal-based coinage. Paper was never to be used, yet somehow paper money reappeared without challenge. Chapter 15 did not tell the story on how this happened and instead concentrated on how the dollar came into being, how it was first implemented and the positive effects that resulted. Commerce bloomed and the country thrived.

Section IV. A Tale of Three Banks, Chapters 16-19 The Creature Comes to America; A Den of Vipers; Loaves and Fishes, and Civil War; Greenbacks and Other Crimes

Section IV. A Tale of Three Banks, Chapters 16-19 The Creature Comes to America; A Den of Vipers; Loaves and Fishes, and Civil War; Greenbacks and Other Crimes Summary and Analysis

Summary

According to Chapter 16, the first central bank was founded in the US before the Constitution was drafted. The Continental Congress established The Bank of North America in 1781, and it was modeled after the Bank of England. At the end of the Revolutionary War in 1783, the bank was disbanded. The next central bank was the Bank of the United States, chartered in 1791. Alexander Hamilton was for it, and Thomas Jefferson against. This bank reintroduced inflation, and as the country expanded, wildcat banks developed in the wilderness. A great deal of deception went on to fool depositors and bank examiners, such as displaying kegs of nails with only enough gold or silver coins to cover the nails. The Bank of the United States lasted until 1811. During the War of 1812, wildcat banks created bank notes that the government used to purchase war materials, tripling the money supply and driving prices upwards.

As explained in Chapter 17, The Second Bank of the United States was created in 1816 and introduced the boom-bust cycle. Other states chartered their own banks in 1817 to cash in on the boom times, but in 1818 the bust side started as the banks tightened loan requirements and shrunk the money supply by calling in old loans. Layoffs and bankruptcies followed.

Andrew Jackson was elected President in 1828 and began battling the leader of The Second Bank, Nicholas Biddle, because Biddle had too much sway over the government and the economy. Biddle fought back by instigating a depression through his economic control, and Jackson parried with an intense effort to get his messages directly to the electorate. In the end Jackson won, and Biddle died before being convicted of crimes against the United States.

After the Second Bank of the United States was disbanded, as explained in Chapter 18, several banking schemes were tried, all of which failed. One attempt involved the use of bank assets to back money. That attempt failed because at the same time checking accounts came into being and were manipulated to show more money in the accounts than the bank could support. Safety funds were then attempted with similar manipulations that left the funds barren. Securities and state credit backings failed, as was so-called free banking—the conversion of banks from corporations to private associations. Even while banks failed often, westward expansion occurred as did industrialization. This was often pointed to as a rational to have boom periods followed by busts, but the author argued that even though some people won, many others lost. Stable banking practices might have actually accelerated the expansion and industrialization.

According to Chapter 19, common histories of the Civil War have attributed its causes to the abolition of slavery, maintenance of states' rights and a little on economics. The author proposed that economics and political power brokering were the true causes and that abolition became a ploy of the North to gain better support for the war. England, France and Russia had their roles in the build up to the war as well. England had positioned troops along the Canadian boarder, France had made deals with Mexico to absorb the Southern states, and Russia had sent an entire fleet of ships to help the North. This move by Russia kept England and France from directly assisting the South. The economic cause of the war was attributed to the tariffs the North had levied on European imports that forced the South to buy manufactured goods from the North. Both the North and South used fiat money. The money printed in the North used green ink and were called greenbacks. Once the war was over, all the Confederate money became worthless. Some of the unconstitutional moves that President Lincoln made during the war involved levying income taxes, issuing war bonds and using the bonds to back the greenbacks. He also claimed more power than ever before and justified it as necessary for the war effort while he was acting as Commander in Chief of the armed forces.

Analysis

The early history of banking in the newly formed United States of America reasserted in terms of inflation how fiat money hurt the economy. The vicious cycle began with war and the necessity of obtaining war materials quickly. Then the cycle moved into the desire of banks to make money off of loans to the government for those war materials, in effect creating money backed by a small percentage of precious metals or none at all. The end of the cycle was inflation, rendering the bank notes worthless. According to the author, the US did not need to fight The War of 1812, but other historians disagreed. His take was that the kidnapping of US sailors to serve in the British navy, known as impressments, was not a good enough reason for the war. However, the British could have wanted to reabsorb the former colonies into their empire as well, which would have been a very good reason—defending the nation. If this was true, then the formation of the central banks had been necessary for survival and the negative results were necessary evils.

Banking in the still young United States had been experiments that proved the wisdom of gold and silver coinage over the issuing of paper money. The government was restricted from issuing paper money and could only coin gold and silver, but to get around this the private sector central banks were created. The downside to this, besides bringing in fiat money, was that power concentrated in one man, Nicholas Biddle. Biddle was smart and ruthless. He basically bought out Congress and pulled all the strings. It took an extremely strong populist President, Jackson, to bring Biddle down. During the fight Jackson set several precedents, such as using his veto power in a specific battle with one person. He also transformed the Presidency from being the servant of the people to being the leader of the people. On top of this, the Electoral College lost its autonomy and became oriented by political party, which has survived to this day. The author hinted that what occurred during this timeframe led up to the Civil War, although in a circumstantial way. Economic pressure was certainly a major cause of the Civil War, but perhaps not just the changes in the banking system and not merely a shifting of power in the Federal government.

The fundamental message was that no matter how banks were redefined and restructured, the use of fiat and fractional money always resulted in failure. Where fiat money was based on nothing, fractional money had at least some basis in gold and silver coins, up until the fraction became so low as to be meaningless. The author argued that government should only enforce legal contracts among economic players and never go any further. Trying to make a failed system work through tricks and illusions could never work. He also touched again on the reasons for the Civil War with economics being far more important than the abolition of slavery, although that had an economic impact too. Slaves were expensive and were needed to run the southern agricultural economy. Suddenly freeing the slaves would have meant economic ruin for the South and certain starvation for the former slaves, both of which happened after the Civil War. Evidence in the form of President Lincoln's speeches was used to make the point that Lincoln believed slavery would eventually go away by other forces than war.

The role that abolition played in the buildup to the Civil War has been a subject of controversy among historians. The idea of states' rights might have been a code phrase for keeping slavery in the South. Although accurate about the timing of the Emancipation Proclamation, the author took a broad look at the reasons Lincoln had for issuing it. The argument presented regarding European interests in splitting the US apart was convincing and well cited, and so was the motivation of Russia to help the North. The primary point was not to redefine the history of the Civil War but to illustrate how the actions of the North paved the way for the Federal Reserve System to be created. The stress of the Civil War on the Union made the excesses of the Lincoln administration necessary to preserve the Union, but it also changed the US monetary system and Federal government significantly and possibly for the worse.

Section V. The Harvest, Chapters 20-23 The London Connection; Competition Is a Sin; The Creature Swallows Congress; The Great Duck Dinner

Section V. The Harvest, Chapters 20-23 The London Connection; Competition Is a Sin; The Creature Swallows Congress; The Great Duck Dinner Summary and Analysis

Summary

During the years following the Civil War, according to Chapter 20, the US economy went through extremes of the boom-bust cycle. This was due to the widespread use of fiat money and the implementation of many economic tricks that were doomed to failure. However, big fortunes were also made by powerful financiers and their market manipulations. The Bank of England, the House of Morgan and the Rothschilds were among the winners, buying up bonds and the such during busts that gained tremendous value during boom times. While this was going on, the British pound suffered in the international markets, which led to the country nearly going broke. To keep Britain from sliding into depression, the US dollar was intentionally inflated through the Federal Reserve System.

Before the Federal Reserve System came into being, as explained in Chapter 21, groundwork was laid by the few people who controlled banking. The Jekyll Island plan kicked things off in 1910 by outlining what the bankers wanted. The next step was to craft legislation to bring about these desires: the elimination of small rival banks, making the money supply elastic and thereby stopping private capital formation, recapturing the industrial loan market, pooling all the small bank reserves into a single large reserve, and shifting losses from the banks to the taxpayers. Additionally, the legislation had to be named something that Congress and the people would think was banking reform. Despite an intensive propaganda campaign for the bill that included support from economics scholars, this first attempt failed.

According to Chapter 22, the Federal Reserve Act passed by large majorities in Congress just before Christmas, 1913. It contained largely what the failed first bill had, plus compromises that made it seem under the government's control. The leaders of the large banks put up a good show of opposition, but deep down they wanted this bill to pass even with the compromises. To them it did not matter if the President appointed the chairman of the Federal Reserve or not. Meetings would still be held behind closed doors, and the bankers would still have powerful influence on the decisions made.

Additionally, the language in the bill was made intentionally vague and open to future interpretations, a tactic used to avoid debates over the fine details.

As explained in Chapter 23, the Great Depression of the 1930s was not directly caused by the stock market crash in 1929. Government interventions with the economy on several fronts, including wage and price controls, propping up businesses, stimulating construction, guaranteeing home loans, subsidizing farmers and public works projects thwarted the economy from rising on its own. The stock market crash was caused by over speculation and the natural human tendency to get rich quick by using credit as leverage to buy stock. However, it took World War II to pull the economy out of depression.

Analysis

The argument clouds in Chapter 20. Somehow gold was transferred from the US to Britain via an inflationary move done by the Federal Reserve System, yet both the pound and dollar had become fiat money, which was not supposed to be backed by any precious metal. The explanation given was that international debts had to be paid in gold, and the cloudiness set in because the argument used the terms pound and dollar rather than something like ounces of gold bullion. Further confusing the issue, the author used the terms pound sterling, an indication that the pound was backed by silver. The workings of imports and exports were briefly touched upon. Inflation of the dollar caused imports to be more expensive and exports to garner less profit, and this was supposed to have helped save Britain from economic collapse. In any case, this chapter prefaced the stock market crash of 1929 followed by the Great Depression.

The idea that competition in banking is a sin was expressed by John D. Rockefeller. He and the other big bankers wanted to form a cartel and legalize certain practices that went against the grain of capitalism. The goal was to create a central bank like the Bank of England, gain control over the money supply and manipulate the overall economy to their benefit. The bankers had already done this in secrecy and to only a modest level of success. By making this system legal and transparent, the thought was that Congress and the people would accept the changes as positive banking reform. The scheme almost made it into law, but the political landscape changed from Republican to Democrat before the bill could be passed. The author had touched on this in earlier chapters and covered the ground in more detail, preparing for the story on how the Federal Reserve System became law. The key background detail was that similar names had been suggested for the first attempt and were ploys to pass a bill that would create a monopoly in banking.

What the Federal Reserve Act did was to put into place a banking system that was guaranteed by the taxpayers not to fail. The recent bailouts of the big Wall Street banks in 2008 with taxpayer money were easily understood by average citizens. It took no great analysis to understand that the lender of last resort was not the Federal Reserve but the taxpayers. Some banks failed, some were absorbed by other banks. Others took the money and became profitable once again. The startling revelation the author made was that rather than being a broken system, this was exactly how the creators of the

Federal Reserve System anticipated it working. From the evidence presented, this take on banking history carried enough credibility to be at least considered as a valid alternative to the standard banking history taught in colleges and universities.

This take on what caused the Great Depression has been popular among small government politicians and proponents. Of all the government interventions that the author listed, wage/price controls were likely the worst of the bunch. The economy went through recessions regularly, which the author maintained was the natural effect of using fiat money and basing an economy on credit rather than on gold or other precious metals. His preference was basing the currency only on gold because using more than one commodity with intrinsic value brought in problems with keeping the relative values constant. Yet since World War II the economy has had its ups and downs without slipping into depression even when wage/price controls had been tried during President Nixon's time in office. The stock market crash of 2008 did not lead immediately to depression, although unemployment was unacceptably high. This history indicates that more than intervention of the US government was to blame for the Great Depression. In the context of this argument, the author might have oversimplified cause and effect.

Section VI. Time Travel into the Future, Chapters 24-26 Doomsday Mechanisms; A Pessimistic Scenario; A Realistic Scenario

Section VI. Time Travel into the Future, Chapters 24-26 Doomsday Mechanisms; A Pessimistic Scenario; A Realistic Scenario Summary and Analysis

Summary

According to Chapter 24, the US grew its debt tremendously since 1950. The debt became measured in trillions of dollars and continued to grow with a large portion of tax dollar going into paying only the interest on the debt. The author proposed that this was no accident and actually part of a master plan to bring about world government and currency. Since the US had become a super power and economic giant, a big part of the plan was to destroy the US economy. The author used a document named the Report from Iron Mountain to support the idea of conspiracy. From there he pointed to the need to invent a global threat for bringing the entire world together under one government, the UN, and one currency that supposedly has already been designed. The global threat could not be invasion by space aliens because the idea lacked credibility. What developed as the global threat was environmentalism supported by the socialistic conspirators.

In Chapter 25, the author painted a truly pessimistic picture of the future. Banks had failed leading to crippling inflation and a new currency. No longer could people strive to improve their lots. Only two classes of people existed, the ruling class and those ruled by it. Private ownership of property was made illegal, and the vast majority of people lived in horrible conditions. The author claimed that the details of getting there were not important, only that the world had to move into this new feudalism because that was what the master plan called for.

The realistic scenario described in Chapter 26 involved what could happen if the US were to abandon fiat money and go back to money based on silver, with gold as an auxiliary reserve. Laws declaring legal tender would need to be repealed, the Federal Reserve System abolished and the supply of Federal Reserve Notes eliminated. During the transition period, people would experience pain as the imaginary wealth was replaced with actual value coinage and silver certificates redeemable for silver coins. Once the transition period was over, the economy would once again be on solid footing. Banks and businesses would not be bailed out if they failed, and successful banks and businesses would be allowed to flourish.

Analysis

The conspiracy theory came out full force in Chapter 24. Names were named and the great master plan revealed that the world leaders wanted to create the New World Order and thereby eliminate nations, justified by the deceptive reasons of world peace and environmental protection. At this point, the argument lost its own credibility, and by the application of Occam's razor, the conspiracy theory fell apart. Industrial and agricultural pollution was not simply invented for a reason to create world government. It was a genuine problem with the most obvious impacts having been a river catching on fire and the brown clouds enveloping large metropolitan areas. When the author proposed that the Report from Iron Mountain was a manifesto of the conspiracy, he also revealed that the intent of the document and its authorship were not known. The report could have easily been a piece of satire and was treated as such by some who claimed authorship tongue-in-cheek, William F. Buckley for example. Brushing this aside, the author proceeded to show how the conspiracy actually played out in world events.

Recognizable pieces of other conspiracy theories were used. The UN was the organization that would become the world government. Although black helicopters and troops within hollowed-out mountains were not mentioned, the specter of a world military force was bought up. The IMF and World Bank would force the new world currency on all nations. The national debt of the US was not due to national emergencies like 9/11 or hurricane Katrina, but part of the master plan to conquer the world financially. The problem with this conspiracy theory was the same as the others—at some point the argument degenerated into shrillness and the perception that literally everything that has happened in the world since 1910 was cleverly planned out by socialists who controlled everything, from publishing books and newspapers to possibly the weather. Accidents, mistakes and disasters never seemed to have happened.

The author drew from novelists who wrote about future totalitarian governments, including Orwell and Huxley. He also quoted again from the questionable Report from Iron Mountain. Mostly though, the scenario had been pulled exclusively from the author's imagination. Banks have failed, but massive inflation as described did not result. Wars have been started, but not under the pretexts described. However, another conspiracy theory dovetailed with this one, the idea that the US government had actually carried out the 9/11 terrorist attacks on the World Trade Center in New York City. People who accepted this conspiracy theory could be attracted to this author's theory about the New World Order, while more critical readers likely recognized the hallmarks of conspiracy theory—the denial that this was a conspiracy theory and the gathering together of carefully picked sources that supported the argument while ignoring any credible sources that did not. Additionally, the use of fiction to support an argument has generally not been considered strong supporting evidence.

The return to money based on silver with gold as an auxiliary reserve had one serious drawback. Such a move would require a relatively short period of financial pain, and many fortunes would evaporate into thin air because the fiat money had nothing backing it up. Selling this idea to enough people seemed impossible, but the author tried by putting up a web site. A web search on the keywords Freedom Force will bring up the site.

Characters

Abraham Lincoln

Abraham Lincoln was President of the US from 1861 to 1865. His presidency spanned the Civil War and he was assassinated by John Wilkes Booth. The author explained how Lincoln had done several unconstitutional actions during the War, justified as necessary for saving the Union. However, the additional presidential power survived and became entrenched. Regarding the economy, Lincoln established greenbacks as the national currency. The author criticized this move as being the first serious abuse of fiat money. He also argued that the Emancipation Proclamation was not done out of humanitarian motives to free the slaves, but to drum up support for the War. The cause of the Civil War was attributed to economics, with the North charging tariffs on imported European goods. This forced the South to buy manufactured goods from the North at higher prices than the European goods before the tariffs. The author also argued that John Wilkes Booth was part of an organization bent upon stopping the Federal government from imposing its will, especially on banking.

Paul Moritz Warburg

The author gave credit to Warburg for engineering the Federal Reserve System at the Jekyll Island meeting in 1910. The Federal Reserve Act was enacted in 1913, and Warburg was appointed a member of the Federal Reserve Board, serving until 1918. He also served on the Council for Foreign Relations as its director. Warburg died on January 24, 1932.

Paul Volker

Volker served as Chairman of the Federal Reserve from 1979 to 1987. The author referred to him as one of the outstanding economic scientists to come out of the era that ushered in the Federal Reserve System. The author characterized Volker as a champion for establishing a world currency and part of the conspiracy to eventually bring the world under one government.

Franklin D. Roosevelt

Roosevelt was President of the United States from 1933 to 1945. He became famous for establishing what the author called socialism or the New Deal. The author claimed that the New Deal actually elongated the Great Depression by thwarting the natural laws of economics in capitalism. According to the author, the only way the US broke out of the depression was the advent of World War II and the resulting mass industrialization.

John Maynard Keynes

Keynes was a British economist who believed in regulating economics to reduce the effects of recessions in the business cycle and to moderate the boom times so they would not get out of control. His ideas led to a major school in economics thought called Keynesian economics. The author characterized Keynes as having been mostly in the wrong and probably part of the conspiracy to socialize the world.

John Kenneth Galbraith

Galbraith was a renowned Keynesian economist who published many best-selling books on the subject. The author quoted Galbraith often while making the case that a conspiracy had been in the works to socialize the world under one government and having one world currency.

Mayer Amschel Rothschild

Rothschild raised himself out of his childhood ghetto in Germany to become the founder of a large banking dynasty. The family became known throughout Europe and the United States as powerful financiers, especially during wartime. The author counted the Rothschilds as early architects of what would become worldwide central banking.

J.P. Morgan

Morgan wielded immense financial power in the US from the late 1800s to early 1900s. The author credited him as being the equal to the Rothschilds in Europe.

Woodrow Wilson

Wilson was President of the United States from 1902 to 1910. The author cast Wilson as one of the chief planners for world government with the League of Nations. He also pointed to J.P. Morgan's influence over Wilson.

Andrew Jackson

Jackson was President of the US from 1829 to 1837. He was known as a populist with deep disdain for financiers who tried to manipulate national and world events. He fought against Nicholas Biddle and his plans to gain financial control of the country. Jackson won the fight when Biddle died before his plans could be put into law.

Ancient Greeks

The author used the ancient Greek civilization as an example of how a gold and silver based monetary system would work. The Greeks also introduced coinage of reliable purity and weight.

Objects/Places

Jekyll Island

Jekyll Island, located of the coast of Georgia, was the location of the the first secret meeting in 1910 that laid out plans to control the world's financing through central banking.

Bretton Woods

This is the conference that took place at Bretton Woods in 1944 that resulted in the International Monetary Fund and the World Bank.

Venice

Venice was where the first central bank was organized.

Amsterdam

Another central bank was organized in Amsterdam. This bank had more success than the Venice central bank.

Hamburg

The central bank that was organized in Hamburg became a model for the Bank of England and that in turn, became the model for the Federal Reserve System.

Lusitania

The Lusitania was a ship sunk by a German U-boat off the coast of Ireland. The incident brought the US into World War I.

Dollar

The dollar developed from foreign coinage used in the American colonies. It has at various times been backed by silver and gold.

Fiat Money

Fiat money had no backing and therefore it was prone to inflation. It caused boom-bust business cycles.

Silver

Silver was the precious metal upon which the author recommended that the dollar be based.

Gold

Gold was the precious metal that the author recommended as an auxiliary base for a dollar based on silver.

Federal Reserve System

The author recommended abolishing the Federal Reserve System because it caused an unstable economy, led to wars, and promoted totalitarianism.

United Nations

The author argued that the United Nations will lead to world government.

International Money Fund

The author argued that the International Money Fund will lead to one world currency.

World Bank

The author argued that the World Bank will become the central bank of the world government.

Themes

Conspiracy

The author interpreted historical events as indicating a grand conspiracy starting in 1910 with the Jekyll Island secret meeting. His writing style dramatically portrayed the meeting as it might have happened through the use of imagery and descriptions usually found in fiction. The central idea to the theme was that powerful financiers controlled politicians during wartime. Some of the manipulations had been determined, such as Churchill's involvement with the sinking of the Lusitania in order to draw the US into World War I. Other manipulations were speculations from the outcomes of certain situations such as the establishment of central banks.

Conspiracy required the cooperation of financiers and politicians, and this usually happened. An exception was the battle between President Andrew Jackson and Nicholas Biddle, but this did not stop the steady march to fulfill the master plan drawn up at Jekyll Island. By the end of World War II, the master plan had become unstoppable due to effective propaganda as promoted by economists that the author termed economic scientists. Upon the establishment of the United Nations, the master plan had nearly been completed. All that was needed was to bring all the nations of the world into the UN and make them dependent on a single central world bank. The World Bank was established in 1944 along with the International Monetary Fund. Since that time, more countries have taken loans out through these organizations, and most of them could not pay off their debts. This has resulted in the UN supporting totalitarian regimes across the globe.

World Government

The concept of a world government has been promoted as a means to permanent world peace and prosperity. The author argued that just the opposite happened. Wars continued to be fought, and more of them at a greater frequency. Poverty remained a problem in both undeveloped and developed nations. Also, the world governing organization, the United Nations, handed out money to dictatorships that enabled the regimes to continue repressing their people.

The conspiracy with the United Nations, the International Monetary Fund and the World Bank was to eliminate national identities and replace them with one socialistic world government. Individual armies were to be replaced by international peace-keeping forces, effectively a world army answerable only to the world government. The author anticipated that the outcome for the average citizen would be poverty and misery.

The argument ignored several truths about the United Nations, including that its power had been purposefully limited. Sovereign nations did not go away, but still could within the author's argument. Counter arguments could be made regarding how the IMF and

World Bank handle aid given to various governments, and the author acknowledged only one loan having been paid off. Others could exist.

Gold Standard

By the gold standard, the author meant a monetary system based on some kind of precious metal. His preference was silver because it was just scarce enough to be usable and more silver lies in the earth than gold, thus allowing for money supply expansion as new silver is mined. Gold could be used as an auxiliary backing, but its supply has become relatively static.

The advantages of the gold standard would include a more stable economy by eliminating the boom-bust business cycle, fewer wars because they would be too expensive, and a better standard of living for everyone. Credit would be very difficult to obtain, and so people would be forced to live within their means. Just how this could impact major projects was not explored. The focus was on purely financial outcomes from limiting the money supply.

Touching briefly on how economists described money supply, the author mentioned M1, which was the amount of coins and paper money in circulation, held in bank vaults, and available from a Federal Reserve Bank. Exactly how economists used this terminology (M1, M2, M3 and so on) depended upon economic philosophy and what country's economy was the focus. Going to a gold standard would eliminate the many different forms of money in existence, thus simplifying economic principles and making the study of economics quite easy. The author made the case that this might be why the present system has been vigorously defended by "economic scientists," or his term for economists.

Style

Perspective

The author's background was in financial planning, documentary filmmaking, and acting. He had been a radio station manager before the age of 20. His interests have been in Libertarian political philosophy, the search for Noah's arc, seeking a cure for cancer and strong individualism. He has been against the Federal Reserve System since the 1960s.

He took the point of view as that of a detective solving a mystery. His evidence was circumstantial in that he could see the results of actions but could not identify whether they had been planned or not. His take was that planning had to have been part of the story, and in fact was the whole story. A conspiracy to destroy the United States and all other sovereign countries has been going on since 1910. Of course economists would not agree with him because their very existence depended upon the conspiracy and the average person could not understand the complexity of the conspiracy.

Tone

The tone changed from mysterious to journalistic to defensive, and finally an outright shrill accusation that powerful men were trying to take over the world. The author often used lengthy quotations to support his points, some of which could be interpreted in other ways.

A skilled writer, the author usually kept away from colloquialisms and maintained a nearly academic style, mixing in just enough fiction narrative style to keep the stories interesting. A modern school of writing thought involved the use of fiction techniques to liven up otherwise boring subjects such as computer and business books. This book was likely an early example of the practice.

Structure

The book was structured into six sections and twenty-six chapters numbered sequentially across sections. A forward, three appendices, bibliography, and index were provided. Within the text, footnotes were placed on the page where the reference appeared rather than collecting all the notes into one section. Chapters tended to be seven to twelve pages long, each designed to bring out a single major point. The chronology of the book jumped around to enable the progression of logic to the overall conclusion.

Partly textbook, partly formal argument and partly popular political commentary, the book could be used in several ways. The bibliography could play the role of research starting place while constructing a curriculum on economics and history. The index could be used to quickly find quotations and concepts for another work on a similar subject, or the book could be read simply for enjoyment and to gain another opinion on how the economy works.

Quotes

"The New Jersey railway station was bitterly cold that night. Flurries of the year's first snow swirled around street lights" (Chapter 1, The Journey to Jekyll Island, pg. 1.)

"Penn Central was the nation's largest railroad with 96,000 employees and a payroll of $20 million a week. In 1970, it also became the nation's biggest bankruptcy" (Chapter Three, Protectors of the Public, pg. 41.)

"Wait a minute! What are junk bonds anyway? This may come as a surprise, but those held by S&Ls were anything but junk"
(Chapter 4, Home, Sweet Home, pg. 78.)

"The bottom line is that most of those loans will never be repaid! As we have seen, the name of the game is bailout, and it is as certain as the setting sun that, somewhere down the line, Russia will not be able to make her payments, and the taxpayers and the industrialized nations will be put through the IMF wringer one more time to squeeze out the transferred purchasing power"
(Chapter 6, Building the New World Order, pg. 128.)

"The business of banking began in Europe in the fourteenth century" (Chapter 9, The Secret Science, pg. 183.)

"The fact that the Lusitania was a passenger ship is misleading. Although she was built as a luxury liner, her construction specifications were drawn up by the British Admiralty so that she could be converted, if necessary, into a ship of war" (Chapter 12, Sink the Lusitania, pg. 247.)

"During the Allied bombing raids over Germany, the factories and administrative buildings of I.G. Farben were spared upon instructions from the U.S. War Department"
(Chapter 14, The Best Enemy Money Can Buy, pg. 295.)

"The creation of millions of new fractional-reserve dollars, which the government pushed into the economy through spending programs, caused an imbalance between the supply of money and the supply of goods and services. Prices appeared to go up as the relative value of the dollar went down" (Chapter 16, The Creature Comes to America, pg. 332.)

"This, of course, is a classic example of the failure of liberal economics. When evaluating a policy, it focuses only on one beneficial consequence for one group of people and ignores the multitude of harmful effects which befall all other groups" (Chapter 18 , Loaves and Fishes and Civil War, pg. 369.)

"If not using the word bank was essential to the Jekyll Island plan, avoiding the word cartel was even more so" (Chapter 21, Competition Is a Sin, pg. 439.)

"Even if Congress were to stop all of the spending programs in the normal budget - dismantle the armed forces, close down all of its agencies and bureaus, stop all of its subsidies, and board up all of its buildings, including the White House - tt would be able to reduce its present spending by only one-third" (Chapter 24, Doomsday Mechanisms.)

"The Creature has grown large and powerful since its conception on Jekyll Island. It now roams across every continent and compels the masses to serve it, feed it, obey it, worship it. If it is not slain, it will become our eternal lord and master" (Chapter 26, A Realistic Scenario, pg. 588.)

Topics for Discussion

Describe the Federal Reserve System.

How does money work?

What are the advantages and disadvantages of debt?

Why might the national debt never go away?

Describe how inflation is caused.

How would a gold standard work?

How do banks make money?

How is money created out of nothing?

What role does government play in the current economy?

What financial instruments, such as credit cards, would not be able to exist in a gold standard?

How might the United Nations become the world government?

What would be the advantages and disadvantages of a world currency?