Understanding the World Banking System

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It is well enough that people of the nation do not understand our banking and money system, for if they did, I believe there would be a revolution before tomorrow morning. Henry Ford, founder of the Ford Motor Company.

The study of money, above all other fields in economics, is one in which complexity is used to disguise truth or to evade truth, not to reveal it. The process by which banks create money is so simple the mind is repelled. John Kenneth Galbraith, former professor of economics at Harvard, writing in *'Money: Whence it Came, Where it Went' (1975)*

Introduction

This document outlines my personal analysis of the world banking system. I had come to the conclusion that there was something seriously wrong with economics. I felt we had somehow all become enslaved by the dollar and as a result were in the process of seriously damaging ourselves and our planet. I then encountered a man named Carl Peterson who had written a book called, *The Zen of No Tax.* I didn't grasp what he was advocating and in a discussion he said to me, *Ask yourself the question, 'Where does money come from?'* This led me to research the matter and do some thinking. What I found is not new and is plain to see. I have tried to explain in greater detail what I found in my answers to the 20 questions that follow. I have tried to use reasonably clear language so most people can understand. I believe what I discovered can best be summed up by the two quotes above.

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Question 1. What is currency?

Something that is used as money within a country or society or system. Currency is commonly coins and notes. Historically, currency has also been objects such as cowrie shells, copper ingots etc. A modern computer currency is bitcoin.

Question 2. What is money?

In very basic terms, money is the sum of all currency (notes and coins) and debt (currency value borrowed or loaned) within a country or system. To be more specific, money is any item or verifiable record that is generally accepted as payment for goods and services and repayment of debts in a particular country or socio-economic context. The four main functions of money are distinguished as: a medium of exchange; a unit of account; a store of value; and, perhaps, a standard of deferred payment (the latter is the accepted way, in a given market to settle a debt) (source Wikipedia).

There is then the need to distinguish between c**ommodity money** and **fiat money**. Commodity Money is money whose value actually comes from a commodity of which it is made (eg. gold, silver, copper, salt, peppercorns, Raj stones, shells, alcohol, cigarettes, cannabis etc). **Fiat money** is any money declared by a government to be legal tender but which is in itself intrinsically valueless (eg. banknotes).

Question 3. Where does money come from?

> ***The bank hath benefit of interest on all moneys which it creates out of nothing*** (William Paterson, Bank of England founder in 1694, then a privately owned bank),

Fractional-Reserve Banking refers to a banking system where the bank holds a fraction of the deposits it receives, and loans out the rest. It is the primary mode of operation of nearly all retail banks in the modern world (http://rationalwiki.org/wiki/Fractional-reserve_banking).

Fractional reserve banking is thought to have evolved through the actions of goldsmiths. Before the advent of central banks, goldsmiths assumed a role similar to depository institutions. They would accept gold and silver for safekeeping and provide a "note" as proof of deposit. These notes slowly gained acceptance as a medium of exchange, thereby acting as a form of paper money. Goldsmiths soon realized that their outstanding notes would not all be redeemed at one time, and began looking for ways to earn extra income from the deposits. As goldsmiths began investing their deposits, they soon ended up with more issued notes than redeemable gold (the beginnings of fiat money), and the concept of fractional reserve banking took form.

How does it work? Let us say you deposit $1,000 in a savings account. The bank then loans out $950 at 8% interest, keeping $50 (5%) in reserve. The person who borrows the $950 pays someone else for a good or a service. Some or all of that $950 then makes it back to the bank(s) as another deposit. The bank then makes another loan equivalent to

95% of the new deposit. The new loan is paid out for another good or a service, and some or all of the new loan comes back again as a new deposit.

And so the original loan keeps coming back as new deposits, allowing the banks to issue further loans. In this way the bank(s) can create up to $20,000 of ledger entry loans at 8% interest using your $1,000 deposit as a "5% fractional reserve". In addition to this, the depositors and borrowers supply **all** the security against the issue of this new "fiat money" and the banks claim propriety interest (advantage/profit) plus ownership over all the money they have created essentially out nothing, as well as having ownership lien over all the goods given as security.

An example of how the fiat money system works can be seen in the central bank of the U.S., the Federal Reserve, which is privately owned and partially foreign owned. When the U.S. Government wants to spend more money than it takes in (which happens often), it asks the Federal Reserve for the money. The Federal Government then gives U.S. Treasury bonds to the Federal Reserve, and the Federal Reserve gives the U.S. government Federal Reserve notes in return. Usually this is just done electronically. The Federal Reserve then sells the U.S. Treasury bonds off to wealthy individuals, banks and foreign governments. (A U.S. Treasury Bond is a marketable, fixed-interest U.S. government debt security with a maturity of more than 10 years. Treasury bonds make interest payments semi-annually and the income that holders receive is only taxed at the Federal level.)

Where then does the Federal Reserve get the Federal Reserve notes? It creates them out of nothing. Instead of issuing money directly, the U.S. Government gets the privately owned Federal Reserve to create it and then the U.S. government borrows it. When this new debt is created, the U.S. Government will eventually pay interest on that debt. Then, unless the Government can somehow create new wealth to pay that interest, eventually the Government will have to go back to the Federal Reserve to get more money to finance the expanding debt (currently at US$18.2 million million). Arguably it is a debt spiral normalised into people's psyches and designed to go on perpetually, with the objective of constantly expanding the money supply so bankers can make profits by lending to the Government at interest.

The Federal Reserve is the central banking system of the U.S.. Are other nation's central banks so different? Figures found on the internet for July 2013 indicate that four banks control 75% of the world's money supply: the Federal Reserve, European Central Bank, Bank of Japan and Bank of China. The figures also showed their equity (fractional reserve) to be:

- U.S .Federal Reserve: $54 billion in capital on $3.57 trillion in assets, roughly 1.53%.
- European Central Bank: 3.69% (which issues currency for 13 European countries)
- Bank of Japan: 1.92%
- Bank of China: 0.62% (2011 figures)
- Bank of England: 0.843%
- and Central banks in New Zealand, Australia, and Canada require 0%

Looking at Wikipedia, the fractional reserves held by various banks worldwide indicate that most banks have less than 10% and many have a lot less. If we consider the Lehman

Brothers bank that went bankrupt in the U.S. in 2008 because they had assets of $691 billion, and equity of just $22 billion (about 3%) we can see the risk. When Lehman's almost intrinsically valueless assets lost more than 3% of their value, they went bankrupt. (In banking, "Assets" are defined as the sum of loans plus reserves. "Liabilities" are defined as the sum of deposits. "Equity" is the reserves held.)

The fractional reserve percentages shown above mean that there is an awful lot of intrinsically valueless money created out of thin air in our modern world, a vast sum of fiat money based on no tangible commodities, a vast house of cards created by banks.

Question 4. What did US Presidents say about attempts to set up a US Federal Reserve Bank system?

http://www.themoneymasters.com/the-money-masters/famous-quotations-on-banking/

If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks…will deprive the people of all property until their children wake-up homeless on the continent their fathers conquered….. – Thomas Jefferson in the debate over the Re-charter of the Bank Bill (1809)

History records that the money changers have used every form of abuse, intrigue, deceit, and violent means possible to maintain their control over governments by controlling money and its issuance. - James Madison

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

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

Issue of currency should be lodged with the government and be protected from domination by Wall Street. We are opposed to…provisions [which] would place our currency and credit system in private hands. – Theodore Roosevelt

Despite these warnings, Woodrow Wilson signed the 1913 Federal Reserve Act. A few years later he wrote: *I am a most unhappy man. I have unwittingly ruined my country. A great industrial nation is controlled by its system of credit. Our system of credit is concentrated. The growth of the nation, therefore, and all our activities are in the hands of a few men. We have come to be one of the worst ruled, one of the most completely controlled and dominated Governments in the civilized world, no longer a Government by free opinion, no longer a Government by conviction and the vote of the majority, but a Government by the opinion and duress of a small group of dominant men.* - Woodrow Wilson

The real truth of the matter is, as you and I know, that a financial element in the large centres has owned the government ever since the days of Andrew Jackson… - Franklin D. Roosevelt Nov 21, 1933 reflecting on the major banks' control in Washington and paying indirect praise to his distant predecessor Andrew Jackson, who had "killed" the 2nd Bank of the U.S. (an earlier type of Federal Reserve System).

Question 5. What did Thomas Edison say about the US Federal Reserve banking system?

Thomas Edison was one of the greatest minds of the modern age, creating numerous inventions, including the electric lightbulb, and becoming a very successful businessman. Wikipedia tells us that he was an advocate for monetary reform in the United States not long after the creation of the Federal Reserve. In an article in the New York Times he expounded upon the absurdity of a monetary system in which the taxpayer of the United States, in need of a loan, was compelled to pay in return perhaps double the principal, or even greater sums, due to interest. His basic point was that if the Government can produce debt-based money, it could equally as well produce money that was a credit to the taxpayer.

> *It is absurd to say our Country can issue bonds and cannot issue currency. Both are promises to pay, but one fattens the usurer and the other helps the People. If the currency issued by the People were no good, then the bonds would be no good, either. It is a terrible situation when the Government, to insure the National Wealth, must go in debt and submit to ruinous interest charges at the hands of men who control the fictitious value of gold.* -- Thomas A. Edison, *New York Times,* 6 Dec 1921

Edison thought at length about the subject of money over 1921 and 1922. In May 1922, he published a proposal, entitled *A Proposed Amendment to the Federal Reserve Banking System.* In it, he detailed an explanation of a commodity-backed currency, in which the Federal Reserve would issue interest-free currency to farmers, based on the value of commodities they produced. During a publicity tour that he took with friend and fellow inventor, Henry Ford, he spoke publicly about his desire for monetary reform. For insight, he corresponded with prominent academic and banking professionals. In the end, however, Edison's proposals failed to find support, and were eventually abandoned.

Question 6. What is value?

When trying to define or understand the term "value" there are two distinctions that need to be made:

1. The distinction between **"real value"** that actually comes from owning something tangible like land, property, commodity money etc, and **"artificial value"** that comes from owning amounts of intrinsically valueless fiat money (cash).

2. That if something is easily economically/physically measurable by amounts of a currency in a market it is usually has **"monetary value"** (things like a house or

car or job)**.** However, if something is difficult to measure by selling it in the market place, such as things of ethical/personal/cultural/aesthetic value (eg. happiness, beauty, love, friendship, beliefs, the environment etc) it is commonly not measured and therefore not valued (accounted for) in an economy. It is often therefore attributed to have either **"little monetary value"** or **"no monetary value".**

Question 7. What is wealth?

What wealth actually is can be a little difficult to grasp but it is very important to understand. **Wealth is essentially a measure of the value of all of the assets/possessions owned by a person, community, company or country. From this has to be deducted what is owed.** ("Ownership" is essentially the freedom of choice to do what one wants with one's wealth).

With this common sense understanding we can therefore confidently say that the current way wealth is normally measured in economics today is not only totally wrong, it is completely bizarre! There are two reasons for saying this:

1. Wealth in our modern, materialistic, monetary culture is normally measured by taking the total "market" value (what one can sell something for measured in some form of currency) of all the physical and intangible assets (eg. both those things of monetary value that are economically measurable and those things of intrinsic/intangible value that are not easily measurable) and then subtracting all debts. However, the fact is that the practice of using the market to determine wealth is totally wrong! We need to distinguish between "r**eal wealth"** which includes things that have both monetary value and no monetary value in the marketplace, and **"artificial wealth",** which includes things of artificial value and of high monetary value in the marketplace.

2. And as we shall see in the next section, the way that a nation's wealth and growth of wealth is commonly measured today bears no resemblance to anything just described.

Question 8. How is growth of wealth measured today?

The most commonly accepted method of determining the wealth of countries and comparing generalized differences in living standards on a whole between nations is to use Gross Domestic product (GDP) per capita on a purchasing power parity basis in current international dollars. *(By that measure it is estimated that in 2013 the richest nation in the world was Qatar, with a per capita GDP (PPP) of over 105 thousand dollars, while the poorest was the Democratic Republic of Congo, with less than 400 dollars. New Zealand was the 30th out of 184 nations. Figures and estimates are from the International Monetary Fund World Economic Outlook Database, April 2013.)*

Another familiar use of GDP estimates is to calculate the growth of a nation's economy (or a region or an industrial sector) from year to year (and recently from quarter to quarter). The pattern of GDP growth is held to indicate the success or failure of economic policy to determine whether an economy is "in recession".

What then is GDP? Basically GDP is a measure of "currency value added" rather than sales; it adds each firm's dollar value added (the dollar value of its output minus the dollar value of goods that are used up in producing it). For example, a firm buys steel and adds dollar value to it by producing a car; double counting would occur if GDP added together the dollar value of the steel and the dollar value of the car. Because it is based on dollar value added, GDP also increases when an enterprise reduces its use of materials or other resources to produce the same output.

However, as U.S. author John Robbins explains (http://www.yesmagazine.org/new-economy/what-is-real-wealth), using GDP, and its nearly identical twin GNP, to measure wellbeing and genuine progress makes about as much sense as using a fork to eat soup: It's the wrong tool for the job. Two months before he was assassinated, Robert F. Kennedy explained why:

> *Our gross national product counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors, and the jails for the people who break them. It counts the destruction of the redwoods, and the loss of our natural wonder in chaotic sprawl. It counts napalm, nuclear warheads, and armored cars for the police to fight the riots in our cities. Yet the gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country. It measures everything, in short, except that which makes life worthwhile.*

How can we develop a healthy relationship to wealth and to genuine economic progress when our most fundamental gauge to assess societal well-being is so askew? The GDP, like the GNP, simply adds together all monetary expenditures. The GDP does not care one whit what it is we're consuming, about how equitably distributed a country's wealth might be, nor whether the money we spend is ours or is borrowed from future generations. It is entirely possible for the nation with the world's highest GDP to also have the world's highest poverty rate and the world's highest level of national debt.

The GDP rises whenever money changes hands. When families break down and children require foster care, the GDP grows, but not so when parents successfully care for their children. People who max out their credit cards buying things they don't need make the GDP look good. People who save their money and live sensibly don't. Seen through such a lens, the most economically productive people are cancer patients in the midst of getting a divorce. Healthy people in happy marriages, in contrast, are economically invisible, and all the more so if they cook at home, walk to work, grow food in a home garden, and don't smoke.

In recent years, the GDP has gotten substantial boosts from toxic spills such as the Exxon Valdez disaster and the boom in prison construction. Meanwhile, natural resources such as rivers and oceans, topsoil and forests, the ozone layer and the atmosphere, are seen as essentially valueless—unless, of course, they are exploited and converted into revenue. But even then, the GDP measures the resulting economic activity in a manner that is fundamentally misleading. As economist Mark Anielski points out, by counting the depletion of natural resources as current income rather than as the liquidation of assets, the GDP "violates both basic accounting principles and common sense."

To this understanding then needs to be added the question; **"What about debt as a measure of national wealth?"** (Remember that wealth is properly measured not by GDP but as the value of all of the assets/possessions owned by a person, community, company or country **and from this has to be deducted what is owed**.) If we take the United States of America, at the time of writing the current U.S. debt is US$18.1 Trillion and growing by the second ($57,000 owed per citizen). The current U.S. GDP is US$17.3 Trillion. The whole thinking is gibberish!

In short, GDP in no way measures Real Value and Real Wealth or the growth in either. GDP is essentially a measure of the movement of the amount of intrinsically valueless fiat money through an economic system. As such, its primary benefit is to the banking industry because the more fiat money that is flowing through the system the more they can "clip the ticket" in terms of charging interest and transaction fees from fractional reserve banking. **In this sense GDP is essentially an indicator to the banking sector of <u>their</u> wealth and growth (as also is national debt).**

Question 9: What are the potential outcomes for society from banks producing vast amounts of fiat money?

Perhaps banks do provide a service but we can also see without a doubt that they produce vast amounts of intrinsically valueless fiat money for the sole purpose of manufacturing vast amounts of debt from which they can profit by charging interest and transaction fees. What then are the potential outcomes of this for society?

1. **Destruction of that not easily measured in fiat money** – This includes ecosystems, species, cultures, heritage, family, community, happiness, wellbeing, peace, love, and the value of many things to future generations.

2. **Slavery** - *The rich rule over the poor, and the borrower is slave to the lender* Proverbs 22:7. *Money is a new form of slavery, and distinguishable from the old simply by the fact that it is impersonal – that there is no human relation between master and slave* (Leo Tolstoy). When individuals, families, small businesses, communities and nations are in massive debt with mortgages, loans, credit cards payments etc, can they not be better harnessed to work harder for less in our Transnational world? Who has the power? We may be educated in the West with many material assets, but to the extent that we are in debt to pay for them we are slaves - educated, well-off, indentured peasants.

3. **Usury** - "Usury" is defined in Wikipedia as *the practice of making unethical or immoral monetary loans that unfairly enrich the lender*. The vast amount of money flowing through countries and economies manufacture huge amounts of debt on individuals and nations (and not insignificant transaction fees). Through that vast debt a steady river of interest is earned by banks.

4. **Transfer of real wealth** - Every so often there is a financial crisis. *In the U.S., the wealthiest one percent captured 95 percent of post-financial crisis growth since 2009, while the bottom 90 percent became poorer.* (Source: Oxfam Report

Working for the Few: 20 Jan 2014.) Included in this transfer of wealth is the transfer or Real Wealth. Debtors, businesses and even Governments who are unable to keep up payments default on their loans. When that happens where does the Real Wealth go, the securities of land, resources, properties, valuable commodities and other tangible/measurable assets?

5. **Corruption** – *Power tends to corrupt and absolute power corrupts absolutely* (Lord Acton 1887). *Let me issue and control a nation's money and I care not who writes the laws* (Mayer Amschel Rothschild - founder of the Rothschild banking dynasty).

Question 10. What is the purpose of taxes?

The Penguin Economics Dictionary defines taxation as: *A compulsory transfer of money (or occasionally goods and services) from private individuals, institutions or groups to the government. It may be levied upon wealth or income (as a direct tax), or in the form of a surcharge on prices (as an indirect tax).*

Taxation is usually the principle means by which a government finances its expenditure. Government expenditure generally includes provision for: defence, law and order, managing the economy, protecting the environment, amenities (water, power etc), health, education, social welfare for the needy, recreation and culture.

Another use for taxes is to avoid or mitigate negative influences. An example of this is heavy taxes on tobacco designed to reduce smoking (change behaviour) and to provide funds to help pay for health costs caused by people smoking. Another example may be taxing vehicle fuel to try and reduce the number and types of vehicles on a nation's roads and to use the funds to offset the costs of pollution.

Another stated function of taxation is to assist stabilize a nation's economy through a combination of tax policy, government expenditure policy, monetary policy and debt management, with such goals as maintaining high employment and assisting price stability.

In summary, we generally understand that the purposes of taxes are:

1. for government to obtain resources to allocate them to best overall benefit a nation's citizens
2. to lessen inequalities related to the distribution of income and wealth
3. to modify and mitigate harmful consumer behaviours and
4. to assist stabilise the economy, also to the benefit of a nation's citizens

However, as we shall see, there is one other major function of taxation. It is an essential component in "political oscillation"

Question 11. What is "political oscillation?

Political Oscillation is a general principle (not an exact science) that has two parts. The first part of the principle states that "To print massive amounts of fiat money you need the Capitalist Right". The second part states that "To circulate it you need the Socialist Left". **Ongoing political oscillation between the Right and Left is a fiat money pump (the "heart of banking" if you like).**

As governments and economic systems oscillate between the Right and Left; Republicans and Democrats, Conservatives and Labour, Capitalists and Socialists; so massive amounts of fiat money gets manufactured and pumped round the international and national economies. In the process, banks, using fractional reserve banking, keep on clipping the ticket in interest and fees, making truly massive profits.

How does this work? Essentially the world banking system utilizes an oscillation between recession and expansion in economies and for this Socialism/Communism is as important as Capitalism. The political Right advocates low taxes, deregulation and private ownership (including privatisation of Government services) to attract business investment and entrepreneurial activity. This tends to lead to recessions which are offset by creating fiat money (the greater the recession, the greater the "quantitive easing" required). On the other hand, the political Left advocate against private ownership in favour of state control and want to see high taxes on wealthy businesses and individuals to pay for increased social services. This tends to lead to more money being spent and circulating through economies and those economies are recognised as expanding (in terms of GDP).

Question 12. How do banks harvest money from political oscillation?

It is all about inflation and deflation generated by the fiat money pump. To repeat an earlier quote:

> *If the American people ever allow private banks to control the issue of their currency,* ***first by inflation, then by deflation,*** *the banks…will deprive the people of all property until their children wake-up homeless on the continent their fathers conquered….* President Thomas Jefferson in the debate over the Re-charter of the Bank Bill (1809)

When fiat money is saved and invested (eg. through a Capitalist Government reducing taxes and Government spending) it increases the Artificial Wealth of the nation and citizens but takes fiat money (currency and debt) out of circulation causing **deflation** – which is bad for business (producers) but good for consumers (up until the point consumers get made unemployed by struggling businesses).

In the process GDP goes down – which is viewed as declining "Economic Growth" leading to economic **recession/depression** (but which does not effectively consider "Intrinsic Growth" factors related to things like happiness, beauty etc). **To counter these recessionary effects, generally more fiat money must be created.**

On the other hand, when fiat money is spent (eg. through a Socialist Government collecting and spending taxes) it decreases Artificial Wealth of the nation and citizens but puts fiat money (currency and debt) into circulation, therefore causing **inflation** – which is bad for consumers but good for business (producers) up to the point that consumers stop spending (in which case the situation then becomes bad for business).

Thus, initially as fiat money is spent GDP goes up – which is viewed as increasing "Economic Growth", leading to economic **expansion.** However, to prevent inflation from stopping consumers spending (generally understood by economists to be when inflation exceeds 2-3%), thus causing GDP Growth to slow, the supply of fiat money in the system must be moderated/reduced.

Therefore, as long as inflation is kept low (1-3%) the fiat money in circulation (as measured by GDP) can continue to grow and banks with their fractional reserve banking system can keep on clipping the ticket with interest and fees and making enormous profits.

The following table gives a summary of the process:

Capitalism tends towards:	**Socialism/Communism tends towards:**
Lower taxes and	Higher taxes and
Increasing private ownership and less central government central spending	Increasing state ownership and public services
Resulting in increasing public savings and investment creating bank deposits, which is termed by banks as "Liabilities"	Resulting in increasing public spending creating new loans, which are termed by banks as "Assets"
This takes fiat money out of circulation and the money supply in the economy contracts	This puts fiat money into circulation and the money supply in the economy expands
Causing deflation (where prices drop and the fiat money buys more but businesses fail due to not being able to make enough profits)	Causing inflation (where prices increase and the fiat money buys less but businesses profit so long as consumers continue to buy – generally this is as long as inflation remains below about 3% per year)
Causing recession in the economy which, when it becomes severe, is a depression (measured as low or negative growth in GDP)	Causing expansion of the economy (measured as growth in GDP)
To increase prices and stop businesses failing this is the time banks create more fiat money out of thin air to put money into circulation (also called "quantative easing")	To maintain control of high prices (so inflation of prices remains less than 3%) the fiat money supply as loans is moderated by the banks. Banks also scoop off amounts of fiat money as interest on debt and fees. (And another way to take money out of the system is to reduce taxes.)
It is at this time the Real Wealth of nations and citizens decreases as; a) bankruptcies occur so securities transfer to banks, and; b) bank owners convert fiat money to real wealth assets (based on commodities, properties etc bought at bargain prices due to recession).	In this time the Artificial Wealth of banks increases from profits taken via interest and fees on increased national and citizen debt due to increased spending (all in fiat money).

Thus, if you are a banker the way to make "profits" is to follow the steps below:

1. *Wait for (or create?) a right-wing capitalist government (eg. a Bush administration in the U.S.) who will create a recession, thus requiring the creation of large quantities of new fiat money.*

2. *Then wait for (or create?) a more left-wing socialist government (eg. an Obama administration) who will spend the money – circulating it through the fractional reserve banking system.*

3. *At the next recession harvest the Real Wealth by converting the vast fiat money "profits" from interests and fees (Artificial Wealth) into Commodities and Assets that have intrinsic value (Real Wealth) but will be a low price due to the recession, and also by collecting securities from bankruptcies.*

4. *Repeat the cycle and continue the periodic harvest, perhaps stimulating the speed of the process with judicious political/educational/media investments.*

Question 13. Have capitalist banks financed the Left?

The answer is yes, without a doubt.

Banks are about profits and so people tend to think of bankers as Capitalists. In particular, American bankers from Wall Street are perceived as being at the very centre of Capitalism. Therefore it is hard to conceive of Communism as something that was birthed from Wall Street.

However, it is well established that Wall Street bankers largely financed the 1917 Russian Communist Revolution. One argument apparently given was that it was to help the Allied war effort against Germany in the First World War. However, that does not make sense and, as we can see from the attached cartoon and related article below that the relationship started years before the war, so the bankers clearly had other purposes for supporting Communism.

(The article and cartoon is from the *website http://www.wildboar.net/* discussing how New York bankers financed Trotsky, one of the leaders of the Russian Revolution and arranged for him to travel from New York in March 1917 to Russia, apparently with an American passport according to Antony C. Sutton, Ph. D. in *Wall Street and the Bolshevik Revolution*, published by Arlington House in New Rochelle, NY, 1974, p. 25.)

The article says:

> *In 1911 the St. Louis Dispatch published a cartoon by a Bolshevik named Robert Minor. Minor was later to be arrested in Tsarist Russia for revolutionary activities and in fact was himself bankrolled by famous Wall Street financiers. Since we may safely assume that he knew his topic well, his cartoon is of great historical importance. It shows Karl Marx with a book entitled Socialism under his arm, surrounded by enthusiastic Wall Street financiers: Morgan partner George Perkins, J.P. Morgan, John Ryan of National City Bank, John D. Rockefeller and Andrew Carnegie. Immediately behind Marx is Teddy Roosevelt, leader of the Progressive Party.*

The question then, is why would bankers from the bastion of American Capitalism support Russian Communism?

In his book *Geneva Versus Peace* (1937), the Comte de St. Aulaire, who was the French ambassador to London from 1920-24, recalled a dinner conversation shortly after WWI with *the director of a great New York bank, one of those that were financing the bolshevist revolution* (page 78). Some commentators have stated this banker was Otto Kahn of Kuhn, Loeb & Co.. This appears to fit with historical events and the direct mention of Jacob Schiff (on page 90), one of Kahn's partners, seems to support this.

Whoever the Wall Street banker might have been St. Aulaire reports the banker as giving a lengthy answer in front of a reasonable sized dinner audience to a question on why capitalist New York banks were supporting the Bolsheviks. The banker is reported as saying:

> *You say that Marxism is the very antithesis of capitalism, which is equally sacred to us. It is precisely for this reason that they are direct opposites to one another, that they put into our hands the two poles of this planet and allow us to be its axis. These two contraries, like Bolshevism and ourselves, find their identity in the International.* (page 80) The banker then starts speaking about the Old Testament: *We are kings that the prophesies may be fulfilled, and we are prophets that we may not cease to be kings….If the Golden Calf is still standing, its most comfortable pedestal is the tomb of empires. In the first place revolution is never anything but the displacement of privileges that arise from wealth. It is not the creation of riches nor even their exploitation which feeds the Golden Calf, it is above all the mobilisation of wealth, the soul of speculation, which feeds it. The more frequently wealth changes hands, the more of it remains in our hands. We are the brokers who receive commissions on all exchanges, or, if you prefer the expression, we are toll-gatherers who control the crossways of the world and collect a tax on all movements of that wealth which is 'anonymous and vagabond', whether such movements are from country to country, or are the oscillations of market prices. To the calm and monotonous song of prosperity we prefer the passionate voices, raised in turn, of a rise in fall of market values. There is nothing like a revolution to excite them, unless it is a war which is also a revolution. Then again revolution enfeebles nations and puts them in a condition in which they can least resist foreign enterprises. The health of our Golden Calf calls for the sickness of certain nations, those which are incapable of developing themselves by their own efforts…. let us take, for example, Turkey*

before the war, 'the sick man of Europe', as the diplomats used to say. This 'sick man' was necessary to our health for he showered upon us concessions of all kinds: banks, mines, ports, railways, etc. The whole economic life of Turkey was entrusted to us. We looked after him so well, that he died of the treatment, at least as far a Turkey in Europe was concerned. Looking at things from the vulgar point of view of the accumulation of wealth for the purpose of accomplishing our mission, we wanted another 'sick man'. That need by itself would have been sufficient reason, beyond all higher considerations, for inoculation of pre-war Russia with bolshevism. Russia is now the sick man of post-war times, much more nutritive to us than the Ottoman Empire and much less able to defend itself. Russia is our new feast. It will soon be a corpse and our only trouble will be to carve it up. (pages 81-82)

The following quote also seems insightful:

In 1987 Senator Jesse Helms, stated "*It is no secret that the international bankers profiteer from sovereign state debt. The New York banks have found important profit centers in lending to countries plunged into debt by Socialist regimes. Under Socialist regimes, countries go deeper and deeper into debt because Socialism as an economic system does not work. International bankers are sophisticated enough to understand this phenomenon and they are sophisticated enough to profit from it."* (Mark M. Rich, *The Hidden Evil: The Financial Elite's Covert War Against the Civilian Population)*

Question 14. How much wealth do foreign banks take from a nation?

I thought I would research my own nation as an example. Taking New Zealand in 2013 (the figures are in NZ dollars where one NZ dollar is currently worth about 75 cents US):

- Foreign ownership of companies was $101.4 billion (48% of the $211.3 billion GDP), of which $39.3 billion was in the financial and insurance services sector, mostly as foreign owned banks.

- In that year, foreign owners took $15.5 billion out of the country - made up of $8.3 billion profits by transnational corporations and $7.2 billion of investment income from debt and smaller shareholdings (portfolio investment).

- Of that $15.5 billion of profits, 45% ($7.0 billion) was to foreign owned financial institutions (mainly banks). (Banks were also responsible for 71 % of the current account deficit.)

- The $15.5 billion profits going offshore was nearly the same as the combined $15.8 billion of dairy and forest product export earnings during the same year (and equal to about a third of all export earnings of $48.0 billion - imports were $48.3 billion).

In the same year the country's debt was $251.0 billion (an increase by five times in the last 30 years). Foreign investment in NZ exceeded NZ investment abroad by 72%.

Foreign owners controlled 33% of the share market and owned 10% of the land. They employed 17% of the workforce.

Other statistics show labour productivity also rose 90% between 1978 and 2006 but employees received only 27% in wage and salary increases in real terms. In the period 1984 to 2006 household debt increased 15 times from $10 billion to $152 billion.

Are the nation and its citizens getting wealthier? Conclusion – In 2013 everything earned by the NZ dairy industry, the nation's largest industry, plus most of what was earned by forestry, went offshore as profits to foreign owners, about half of which are banks, who arguably added no Real Wealth to the nation. The picture that comes to mind is that these institutions are like huge parasites that have become attached to a creature (our nation) and are draining it of its life blood. And all around the world I see other creatures infested with the same parasites.

Question 15. What is "candy stealing"?

This comes from the term: *"As easy as stealing candy from a baby".* Basically "Candy Stealing" is using a high discount rate in the investment analysis of projects. Investment analysis basically requires compounding all costs forward then discounting all expected costs **and revenues** back to a net monetary value now (called net present value - NPV).

Generally, the discount rate used must give a net return in today's monetary value that will exceed the monetary values that would be gained from investing in other competing projects and, as a minimum, exceed the monetary returns that would be gained from putting the money in the bank and earning interest. When investment analysis is done one finds that the higher the discount rate used the less viable long term projects become, even if they would make a lot of profit upon completion.

For example, if someone uses a 5% discount rate and has $100 in their hand now and invests it in some project it must earn $105 in a year's time to have the same value. In 10 years time it must earn $163. In 100 years time it must earn $13,150 to have the same value as $100 now. If one then doubles the discount rate to 10%, the $100 now must earn $110 in a year, or $259 in ten years, or $1,378,161 in a hundred years to have the same value as $100 in the hand now. (Note that none of this considers inflation.)

This is why, using a New Zealand example, there is no widespread planting of kauri forests which produce beautiful and valuable timber and why even quick growing pine forests are cut down at an early age when the wood is poor quality. Final crop pines can be harvested at 20-25 years. Kauri takes at least 70 years before harvesting (if not longer).

The problem is this. The higher the bank interest rates are on debt, the higher interest rates generally need to be on deposits for banks to attract funds to process through the fractional reserve banking system. Thus discount rates used in investment analysis are always going to have to be higher than bank interest rates for projects to compete with banks. The net effect is commonly very poor investment in the future, depriving Real Wealth from our children and future generations for the sake of maximising monetary profits now – hence the term *"stealing candy from babies".*

The real criminality comes when governments and transnational corporations controlling major resources and national assets use high discount rates to guide their investment decisions in large projects that will influence the Real Wealth and wellbeing of a nation and its citizens over the long term – like planting forests, managing fisheries, building more efficient ways of harnessing energy supplies, improving infrastructure (roads, power, water etc). When that happens they are simply stealing from future generations.

Question 16. Do big banks behave dishonestly?

The following are just a sample of what is available in Wikipedia articles about major banks.

1. ***Barclays.*** *Barclays Bank is the wealthiest corporation in the world. In June 2012, as a result of an international investigation, Barclays Bank was fined a total of £290 million (US$450 million) for attempting to manipulate the daily settings of London Interbank Offered Rate (Libor) and the Euro Interbank Offered Rate (Eribor). The United States Department of Justice and Barclays officially agreed that 'the manipulation of the submissions affected the fixed rates on some occasions'. The bank was found to have made 'inappropriate submissions' of rates which formed part of the Libor and Euribor setting processes, sometimes to make a profit, and other times to make the bank look more secure during the financial crisis. This happened between 2005 and 2009, as often as daily.*

2. ***Merrill Lynch.*** *In 2002, Merrill Lynch settled for a fine of $100 million for publishing misleading research. As part of the agreement with the New York attorney general and other state securities regulators, Merrill Lynch agreed to increase research disclosure and work to decouple research from investment banking. In 2004, convictions of Merrill executives marked the only instance in the Enron investigation where the government criminally charged any officials from the banks and securities firms that allegedly helped the energy giant execute its accounting fraud. The case revolved around a 1999 transaction involving Merrill, Enron and the sale of some electricity-producing barges off the coast of Nigeria. The charges alleged that the 1999 sale of an interest in Nigerian energy barges by an Enron entity to Merrill Lynch was a sham that allowed Enron to illegally book about $12 million in pre-tax profit, when in fact there was no real sale and no real profit.*

3. ***JP Morgan Chase & Co.*** *In November 2009, JPMorgan Chase & Co. agreed to a $722 million settlement with the U.S. Securities and Exchange Commission to end a probe into sales of derivatives that helped push Alabama's most populous county (Jefferson County) to the brink of bankruptcy. The settlement came a week after Birmingham, Alabama Mayor, Larry Langford, was convicted on 60 counts of bribery, money laundering, and tax evasion related to bond swaps for Jefferson County, Alabama. The SEC alleged that J.P. Morgan, which had been chosen by the county commissioners to underwrite the floating-rate sewer bond deals and provide interest-rate swaps, had made undisclosed payments to close friends of the commissioners in exchange for the deal. J.P. Morgan then allegedly made up for the costs by charging higher interest rates on the swaps.*

4. ***Deutsche Bank.*** *Former employees, including Eric Ben-Artzi and Matthew Simpson, have claimed that during the crisis Deutsche failed to recognise up to $12bn of paper*

losses on their $130bn portfolio of leveraged super senior trades, although the bank rejects the claims. A company document of May, 2009 described the trades as 'the largest risk in the trading book', and the whistleblowers allege that, had the bank accounted properly for its positions, its capital would have fallen to the extent that it might have needed a government bailout. One of them claims that; "If Lehman Brothers didn't have to mark its books for six months it might still be in business, and if Deutsche had marked its books it might have been in the same position as Lehman."

5. **Goldman Sachs.** *Goldman is being criticized for its involvement in the 2010 European sovereign debt crisis. Goldman Sachs is reported to have systematically helped the Greek government mask the true facts concerning its national debt between the years 1998 and 2009. In September 2009, Goldman Sachs, among others, created a special credit default swap (CDS) index to cover the high risk of Greece's national debt. The interest-rates of Greek national bonds have soared to a very high level, leading the Greek economy very close to bankruptcy in March and May 2010 and again in June 2011.*

6. ***Hongkong and Shanghai Banking Corporation.*** *In December 2012, HSBC (the world's second largest bank) was penalized $1.9 billion (US), the largest fine under the Bank Secrecy Act, for violating four U.S. laws designed to protect the U.S. financial system. HSBC had allegedly laundered at least $881 million in drug proceeds through the U.S. financial system for international cartels, as well as processing an additional $660 million for banks in U.S. sanctioned countries. According to the report; 'The U.S. bank subsidiary [also] failed to monitor more than $670 billion in wire transfers and more than $9.4 billion in purchases of physical dollars from its Mexico unit.' As part of the agreement deferring its prosecution, HSBC acknowledged that for years it had ignored warning signs that drug cartels in Mexico were using its branches to launder millions of dollars, and also acknowledged that HSBC's international staff had stripped identifying information on transactions made through the United States from countries facing economic sanctions such as Iran and Sudan.*

7. ***Credit Suisse.*** *In May 2014, Credit Suisse pleaded guilty to conspiring to aid tax evasion. It was the most prominent bank to plead guilty in the United States since Drexel Burnham Lambert in 1989 and the largest to do so since the Bankers Trust in 1999. "Credit Suisse conspired to help U.S. citizens hide assets in offshore accounts in order to evade paying taxes. When a bank engages in misconduct this brazen, it should expect that the Justice Department will pursue criminal prosecution to the fullest extent possible, as has happened here," Attorney General Eric H. Holder said at the time. Holder also said; 'This case shows that no financial institution, no matter its size or global reach, is above the law.' Credit Suisse shares rose one percent on the day the $2.6 billion penalty was announced.*

8. ***Lehman Brothers.*** *Lehman Brothers Holdings Inc. was a global financial services firm. Before declaring bankruptcy on September 15 in 2008, Lehman was the fourth largest investment bank in the USA (behind Goldman Sachs, Morgan Stanley and Merrill Lynch). Lehman Brothers' bankruptcy filing is the largest bankruptcy in U.S. history, and is thought to have played a major role in the unfolding of the late-2000s global financial crisis. The following day (after the declaration of bankruptcy), Barclays announced its agreement to purchase, subject to regulatory approval, Lehman's North American investment-banking and trading divisions along with its*

New York headquarters building. On March 11, 2010, Anton R. Valukas, a court-appointed examiner, published the results of its year-long investigation into the finances of Lehman Brothers. This report revealed that Lehman Brothers used an accounting procedure termed repo 105 to temporarily exchange $50 billion of assets into cash just before publishing its financial statements. The action could be seen to implicate both Ernst & Young, the bank's accountancy firm, and Richard S. Fuld, Jr, the former CEO. This could potentially lead to Ernst & Young being found guilty of financial malpractice and Fuld facing time in prison.

9. **A study in Switzerland in 2014**. This study entitled; '*Business culture and dishonesty in the banking industry'* reported: *Trust in others' honesty is a key component of the long-term performance of firms, industries, and even whole countries. However, in recent years, numerous scandals involving fraud have undermined confidence in the financial industry. Contemporary commentators have attributed these scandals to the financial sector's business culture, but no scientific evidence supports this claim. Here we show that employees of a large, international bank behave, on average, honestly in a control condition. However, when their professional identity as bank employees is rendered salient, a significant proportion of them become dishonest. This effect is specific to bank employees because control experiments with employees from other industries and with students show that they do not become more dishonest when their professional identity or bank-related items are rendered salient. Our results thus suggest that the prevailing business culture in the banking industry weakens and undermines the honesty norm, implying that measures to re-establish an honest culture are very important.*
   http://www.nature.com/nature/journal/v516/n7529/full/nature13977.html

Question 17. Is there evidence of big banking influencing world affairs?

Here is what we can say:

1. **A small core of mega banks certainly control and influence a huge chunk of the world's wealth today.**

   This is fact. In October 2011, in a widely reported University of Zurich study called *The Network of Global Corporate Control* (easily found on the internet), three researchers (S. Vitali, J.B. Glattfelder, and S. Battiston) went to a database that listed 37 million companies and investors worldwide. From the database they pulled out all transnational corporations which amounted to 43,000 in number and found that these were actually controlled in a web of interlocking ownerships by a smaller core of 1,318 giant corporations. These corporations directly controlled 20 percent of the world's operating revenues and also collectively owned, through their shares, the majority of the world's blue chip and manufacturing firms – the "real" economy – representing a further 60 percent of global revenues (that is, 80 percent of the world's total).

   When the research team further untangled the ownership web they then found that much of the ownership of these giant corporations was held by a "super-entity" of

147 even more tightly knit companies, mostly mega-banks and investment institutions like: Barclays, Capital Group, FMR, AXA, JP Morgan Chase, Merrill Lynch, Deutsche Bank, Credit Suisse, Goldman Sachs, etc, and that these controlled 40 percent of the wealth of the entire world network.

Having stated this it needs to be noted that the researchers behind the Zurich study said it was *disconcerting to see how connected things really are* (in relation to any world-scale economic crisis) but also said the evidence they found did not point to any conspiracy theory to control the world. Instead they said the “super-entity” companies *will compete in the market but act together on common interests*.

2. **<u>The US currency and political system certainly shows evidence of secretive and elitist influences by private banking interests</u>**.

It is a fact that there is something very peculiar about the United States of America currency system and privately owned Federal Reserve. It seems quite contrary to the US Constitution and founding beliefs of the nation. Why has the US dollar note got the all-seeing eye and pyramid printed on it? It is also fact that something called the *New World Order* actually exists. Wikipedia reports the term gained popularity following its use in the early 1990s by President George H. W. Bush when he referred to his *dream of a New World Order* in his speech to the United States Congress on September 11, 1990. However a quick scan of the internet shows that the term has been used by dozens of politicians, bankers and other notables. But what does it mean? It seems to be something meaningful to rich and powerful people but what is it? If it affects the world’s order it surely affects everyone?

Unfortunately, research on the internet only gets conspiracy theories. For example, Wikipedia says regarding the ‘New World Order’, *This conspiracy theory states that a group of international elites controls and manipulates governments, industry, and media organizations worldwide. The primary tool they use to dominate nations is the system of central banking... deliberately causing inflation and depressions at will... [and are] said to have funded and in some cases caused most of the major wars of the last 200 years... [and that] war generates massive profits for central banks because government spending (hence borrowing at interest from the central banks) increases dramatically in times of war and distress.* The World Bank, International Money Fund, Trilateral Commission, Bank of International settlements, Group of 30 and other notable organisations are reputed to be vehicles for the New World Order.

3. **<u>Historically, banks have certainly been understood to influence governments and civilization.</u>**

I believe that banking institutions are more dangerous to our liberties than standing armies. – Thomas Jefferson American President.

Money plays the largest part in determining the course of history. Karl Marx writing in the Communist Manifesto (1848).

Banking was conceived in iniquity and was born in sin. The Bankers own the Earth. Take it away from them, but leave them the power to create deposits, and with the flick of a pen they will create enough deposits to buy it back again. However, take it away from them, and all the fortunes like mine will disappear, and they ought to disappear, for this world would be a happier and better world to live in. But if you wish to remain slaves of the Bankers and pay for the cost of your own slavery, let them continue to create deposits. Sir Josiah Stamp, President of the Bank of England in the 1920s, the second richest man in Britain

I am afraid the ordinary citizen will not like to be told that the banks can and do create money. And they who control the credit of the nation direct the policy of Governments and hold in the hollow of their hand the destiny of the people. Reginald McKenna, as Chairman of the Midland Bank, addressing stockholders in 1924.

The death of Lincoln was a disaster for Christendom. There was no man in the United States great enough to wear his boots and the bankers went anew to grab the riches. I fear that foreign bankers with their craftiness and tortuous tricks will entirely control the exuberant riches of America and use it to systematically corrupt civilization. Otto von Bismark (1815-1898), German Chancellor, after the Lincoln assassination.

David Harvey (American political scientist) provides persuasive evidence that since the 1970's the IMF and the World Bank have imposed Selfish Capitalist (Neo-Liberal) policies on developing nations. As conditions of loans, the countries have been forced to privatise their utilities and to open their markets to foreign capital. This enables American financial interests to take over whole industries and for infrastructural companies to receive huge amounts of the money that the countries borrow (p215 of *The Selfish Capitalist* by Oliver James). (At the time of writing a number of European countries like Greece and Spain are suffering huge debt crises and are being told to implement 'austerity measures' by the IMF and others. It will be interesting to see what these measures will ultimately translate to in terms of deregulation, privatisation and taxation.)

4. **<u>The Rothschild banking dynasty certainly has had major influence on world affairs.</u>**

It is a fact that Mayer Amschel Rothschild (1744-1812) founded a huge banking dynasty when he sent his five sons to set up banks in Frankfurt, London, Naples, Venice and Paris. In 1815, his son Nathan Rothschild in Britain made his famous statement: *I care not what puppet is placed upon the throne of England to rule the Empire on which the sun never sets. The man who controls the British money supply controls the British Empire, and I control the British money supply.* Nathan Rothschild financed the British war against Napoleon (reportedly because Napoleon cancelled interest on debt in France).

In the 19th century, the Rothschild dynasty was believed to hold the largest private fortune in the world and the various branches of the Rothschild family still clearly exert major influence to this day. The Rothschild brothers of London writing to associates in New York in 1863 are also quoted as saying; *The few who understand the system will either be so interested in its profits or be so dependent upon its favours that there will be no opposition from that class, while on the other hand, the* *great body of people, mentally incapable of comprehending the tremendous advantage that capital derives from the system, will bear its burdens without complaint, and perhaps without even suspecting that the system is inimical to their interests.*

Nowadays, the Rothschild Family keep a very low public profile, which has led many conspiracy theorists to believe that they basically control the world from behind the scenes. The theories include hiding investments in ways similar that the Queen does in a nominee company called the Bank of England Nominees.

It has been available for decades to the entire World's current heads of state to allow them anonymity when buying shares. Therefore, when a company publishes a share register and the Bank of England Nominees is listed, it is not possible to gauge whether the Queen, President Bush or even Saddam Hussein is the true shareholder. By this method, the trillionaire masters of the universe remain hidden whilst Forbes magazine poses lower ranking billionaires like Bill Gates and Warren Buffett as the richest men in the World. Retired management consultant Gaylon Ross Sr, author of Who's Who of the Global Elite, has been tipped from a private source that the combined wealth of the Rockefeller family in 1998 was approx. (US) $11 trillion and the Rothschilds (US) $100 trillion. (Source: rense.com)

5. **It does seem possible that bank interests conceal their activities from the public.**

...If you look at mainstream economics there are three things you will not find in a mainstream economic model - Banks, Debt, and Money. How anybody can think they can analyze capital while leaving out Banks, Debt, and Money is a bit to me like an ornithologist trying to work out how a bird flies whilst ignoring that the bird has wings... Steve Keen, Australian Economist and author of *Debunking Economics,* 2001

Recent trends in media ownership and control suggest that the number of companies controlling global mass media has significantly shrunk in recent years. Bagdikian (2004) notes that in 1983, 50 corporations controlled the vast majority of all news media in the USA, but by 2004 media ownership was concentrated in seven corporations.... The major difference in media ownership and control compared with forty years ago is the movement of media corporations into the global marketplace. The major media companies are now global conglomerations – transnational corporations (TNCs) with a presence in many countries. Quote from the website http://revisionworld.com/a2-level-level-revision/sociology/mass-media-0/ownership-and-control-media

David Rockefeller, former chairman of Chase Manhattan Bank and patriarch of the wealthy Rockefeller family, reportedly made the following statement in an address to a meeting of The Trilateral Commission, in June, 1991; *We are grateful to The Washington Post, The New York Times, Time Magazine and other great publications whose directors have attended our meetings and respected their promises of discretion for almost forty years. It would have been impossible for us to develop our plan for the world if we had been subject to the bright lights of publicity during those years. But, the work is now much more sophisticated and prepared to march towards a world government. The supranational sovereignty of an intellectual elite and world bankers is surely preferable to the national auto determination practiced in past* *centuries.* (From http://www.theglobal movement.info - about who controls the media.)

It is a fact that big business interests fund denialism. Considerable information can be easily found on the internet showing how the tobacco industry sought to mislead the public regarding the harmful effects of smoking on health for over 40 years. How many millions of people died as a result? In 2013, an article from the Independent (reported in the NZ Herald 26 Jan) told of how an audit trail found that at least US$5 had been secretly paid by the Koch family to organisations to undermine research into global warming (Charles and David Koch have major oil interests and are collectively wealthier than Bill Gates). The article went on to say that Dr Robert Brulle, a sociologist at Drexel university in Philadelphia, has estimated that over the past decade about US$500 million has been given to organisations devoted to undermining the science of climate change, with much of the money donated anonymously through third parties.

6. <u>Are Bankers Behind Assassinations and Wars?</u>

This is entering into the realm of conspiracy theories and a lot of the theories are without doubt highly questionable and biased. An example on the web is the documentary *All Wars are Banker's Wars* which expounds the view that many assassinations (including those of U.S. presidents) and most wars in the last 200 years are caused by bankers. See the following:

whatreallyhappened.com/WRHARTICLES/all**wars**are**bankerwars**.php
https://www.youtube.com/watch?v=5hfEBupAeo4

The problem with conspiracy theories like these is actually finding enough unbiased and reliable sources that prove one is getting a true picture of reality and not some wildly distorted Picasso. All that will be said here is this:

- Behind the smoke there does seem to be at least some flame.
- It is a fact that wars are very costly and put nations into huge debt from which bankers profit immensely.
- It is indisputable that bankers have financed wars from which they have profited immensely (eg. Nathan Rothschild financed the British against Napoleon).
- It is indisputable that there are numerous examples involving huge sums of money, where major banks have been proven to have acted dishonestly and unethically. It therefore would not be surprising if they financed wars.

<u>Question 18. How might big banking influence occur?</u>

The people at the top of world banking are from the very highest social strata. They are immensely wealthy, highly educated and extremely cultured. Many have lifelong reputations for philanthropy. If they do resort to behaviour that the rest of society would consider immoral and criminal it is not going to be in the same manner as uneducated street gangsters. As one wit said, *These people do not rob banks, they are the banks!* Their methods are different.

If major banks or individuals behind them do exert influence in world affairs it is unlikely to be achieved simply by some straight-out authoritarian, tyrannical control. The key word to focus on is “influence”.

Leadership teaching says that the essence of leadership it is very much about,… *skilfully using different tactics under different situations to change behaviours, opinions, attitudes, goals, needs and/or values* (Source http://www.ianrpubs.unl.edu) We find that different influence tactics are used in terms of “softness” versus “hardness.” This dimension is defined in terms of how much freedom a tactic leaves the person to decide either to yield or to resist the influence attempt.

Hard tactics leave individuals less freedom than soft tactics. Hard tactics include “exchange,” “legitimating,” “pressure,” “assertiveness,” “upward appeal” and “coalitions.” These behaviours are perceived as more forceful and push the person to comply. Soft tactics, on the other hand, use approaches to influence behaviours which are considered thoughtful and constructive. Soft tactics include “personal appeal,” “consultation,” “inspirational appeal,” “ingratiation” and “rational persuasion”.

Ultimately, hard tactics can be counterproductive and more risky. When people are forced they tend to rebel. It is far better, if one can, to win people over using soft tactics. How might this happen?

One obvious approach is to finance political and educational institutions. For example a brief look at the internet shows that the Rockefellers founded the University of Chicago, including the Chicago School of Economics, with the teachings of Milton Friedman, and have also provided significant funding to the London School of Economics, where David Rockefeller studied under Friedrich Hayek. Both Friedman and Hayek were arguably the main proponents of Neo-Liberal economic ideology in the 1970-80’s, driving both Reganomics in the U.S. and Thatcherism in the UK.

Another approach may be for people with banking backgrounds to occupy key political, education and policy roles. For example, in the recent European debt crisis involving countries like Greece, Portugal and Italy we find from Wikipedia:

- Lucas Papademos, Greece's former prime minister, ran the Central Bank of Greece at the time of the controversial derivatives deals with Goldman Sachs that enabled Greece to hide the size of its debt.
- Petros Christodoulou, General Manager of the Public Debt Management Agency of Greece is a former employee of Goldman Sachs.
- Mario Monti, Italy's former prime minister and finance minister, who headed the new government that took over after Berlusconi's resignation, is an international adviser to Goldman Sachs.
- Mario Draghi, of Italy, the current head of the European Central Bank, is the former managing director of Goldman Sachs International.
- António Borges, Head of the European Department of the International Monetary Fund in 2010-2011 and responsible for most of the enterprise privatizations in Portugal since 2011, is the former Vice Chairman of Goldman Sachs International.
- Carlos Moedas, a former Goldman Sachs employee, is the current Secretary of State to the Prime Minister of Portugal and Director of ESAME, the agency created to monitor and control the implementation of the structural reforms

> agreed by the government of Portugal and the troika composed of the European Commission, the European Central Bank and the International Monetary Fund.

Looking at the previous section; the Zurich researchers said the evidence they found indicated that super-entity companies; *…will compete in the market but act together on common interests.* The Rothschild brothers also reportedly said; *The few who understand the system will either be so interested in its profits or be so dependent on its favours that there will be no opposition from that class.* In the David Rockefeller statement mentioned earlier he talks collegially to media leaders about being grateful for their discretion to allow *us to develop our plan for the world …for almost 40 years*. These examples seem to show co-operation rather than coercion.

A look at some of international banking organisations is also instructive. The G30, for example, is an elitist think tank. According to Wikipedia it is, *an international body of leading financiers and academics which aims to deepen understanding of economic and financial issues and to examine consequences*. The BIS (Bank for International Settlements) seems to revolve around a two monthly meeting of the CEOs of 60 main Central banks from nations around the world. Both these organisations and many others were established through the philanthropy of major banking identities and the sense is one of sharing ideas and working collegially, applying soft influence tactics amongst peers.

Question 19: What is "Social Darwinian Hegemony"?

If we accept that bankers and other ultra-wealthy elements do influence world affairs to acquire vast wealth for themselves what is their philosophy and world view? Their goal may be to acquire wealth, perhaps like a thief seeks to acquire wealth, but a thief thinks differently to someone who does not steal. How might these bankers think? How might they justify their actions?

A survey of high profile wealthy individuals, such as the Rockefellers and Koch brothers, shows that they make major financial investments in all manner of institutions that promote Libertarian ideology. Libertarianism is a modern form of neo-classical liberalism whose origins lie with liberalism. Liberalism is a political philosophy or worldview founded on ideas of liberty and equality. The former principle is stressed in classical liberalism while the latter is more evident in social liberalism. In the late 19th century, classical liberalism developed into neo-classical liberalism, which argued for government to be as small as possible in order to allow the exercise of individual freedom.

Thus, the central claim of Libertarian philosophy is that the State has no role to play in the conduct of the lives of individuals. Essentially, the role of the State is minimized to that of simply being the agent to ensure that the freedoms of individuals are not violated. This idea of "freedom" sounds attractive but essentially translates to creating a social environment of "survival of the fittest" in human society (eg. Social Darwinism). In the words of F.A. Hayek from his book *The Constitution of Liberty;*

> *Liberty not only means that the individual has both the burden of choice; it also means that he must bear the consequences of his actions…. Liberty and responsibility are inseparable.*

Libertarians oppose State social welfare systems to help the needy and social justice to benefit the poor. They oppose welfare systems because they say they violate the rights of individuals by coercing them to contribute and because they reward “dependency”. They oppose social justice approaches, such as greater taxation on the wealthy to redistribute wealth to the poor, arguing that to do so violates the principle that individuals should be equal before the law. Libertarians further argue that societies organized along *laissez-faire* principles (ie. with less State controls) will ultimately benefit the poor because those societies will be more efficient and more prosperous.

In the later 20th century Libertarian thought led to the *laissez-faire* economic ideologies of Neo-Liberalism under the likes of Hayek and Friedman (eg. Promoting the free-market, de-regulation of labor, privatization of industry, minimum taxes etc.).

Having said this, it would be a mistake to label a secret rich elite who might be influencing world affairs as all being Libertarians. They are probably better thought of as Social Darwinists, for surely they must believe that they have the right to what they do because they are somehow better, because they are the fittest, evolved to be the top of the human food chain with the right to rule over the affairs of all those who are lesser.

What does hegemony mean? Wikipedia states:

> *In the 19th century, hegemony came to denote the ‘Social or cultural predominance or ascendancy; predominance by one group within a society or milieu’. Later, it could be used to mean ‘a group or regime which exerts undue influence within a society.’ The theory of cultural hegemony, associated particularly with the Marxist philosopher Antonio Gramsci, is the idea that the ruling class can manipulate the value system and mores of a society, so that their view becomes the world view.*

Overall, there is undeniable evidence pointing to some secretive, elitist group or groups of extremely wealthy and powerful people in the world who share a common vision and are working to achieve their aims through major banks and control of politicians and media (and perhaps religions). Their vision may be such that they think what they do is beneficial and better than the alternatives, but it appears to involve their influencing world affairs and making enormous wealth based on a form of Social Darwinian Hegemony.

Generally, it seems that this group mostly seek to achieve their hegemony through soft tactics. Perhaps there are times when a collegial approach and soft tactics don’t work. Perhaps hard tactics are then applied, even collusions leading to bankruptcies, recessions, assassinations, etc. However, if so, these are likely to be seen as risky and less preferred.

As long as the values and expectations of most of society are modelled by media and education systems, and our minds are filled with all manner of “entertainments”, the majority are likely to remain largely anesthetised to considering that they may all actually be indentured servants in a system designed to serve the elites. Ultimately, as long as most people (the masses – the rest of us) believe that our lives are improving - in that we believe we are educated, have hospitals, have jobs to pay our debts and generally believe our standard of living is increasing, then any such system will remain unchallenged until it fails.

Question 20: Who is All the debt owed to?

Assuming there is such a system, that it will fail one day is inevitable and probably not far away. The whole way our world economy operates is dependent on constant GDP growth, which is based on consumption, including consuming the environment. An indicative measure of what has been consumed is the level of fiat debt accumulated. At Jan 2015, US debt alone was US$18.2 trillion and growing (that is $18,200,000,000,000 in intrinsically valueless paper makers equating to $57,000 per US citizen). World debt was US$61.2 trillion.

To conclude, I suggest the two question we all need to ask are:

1. "Who is all this debt owed to?"

2. "Is this debt mostly manufactured out of nothing?"