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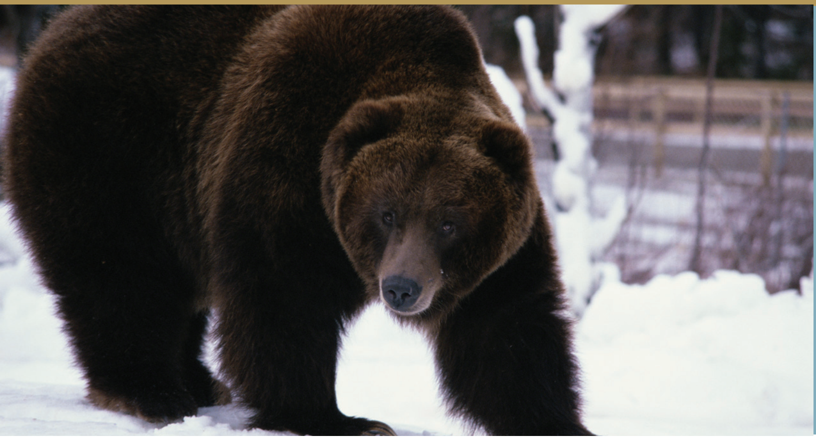
LONGWAVE group

THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE

WINTER WARNING



Fed Up With the Fed

Inasmuch as the Kondratieff cycle is based upon the principle of recurring periods of economic expansion and contraction over the long term, at Longwave Analytics we find it interesting that political cycles of human experience can also recur over the long term, as history repeats itself. We are referring to the relentless and hostile tirades against the Federal Reserve Board of Governors by the late Congressman Louis Thomas McFadden (R.-Penn.) and by Congressman Ronald Ernest Paul (R.-Tex.), 80 years apart, but both within a Kondratieff winter cycle.

Louis Thomas McFadden – Biographical Précis

Louis McFadden was born in Troy, Bradford County, Pennsylvania, on October 1, 1876. He attended public schools and a commercial college. At sixteen, he was hired as an office boy at the First National Bank in Canton, Pa., a small town near his birthplace. Seven years later, he became a cashier and in 1916 became the president of the bank. Meanwhile in 1898, McFadden had married Helen Westgate of Canton, by whom he had three children: two sons and one daughter. McFadden's political career began in 1914, when he was elected to Congress as the Republican representative from the 15th. District of Pennsylvania. In 1920, he was appointed Chairman of the influential House Committee on Banking and currency, a position which he held until 1931.

McFadden's political career was often marked by sharp criticism of his party's financial policies. Opposition to U.S. President Hoover's moratorium on World War I debts led him to propose, in the House of Representatives on December 13, 1932, that the President be impeached. He bitterly attacked the Governors of the Federal Reserve Board for "having caused the greatest (economic) depression we have ever known." Both the President and the Board, McFadden was convinced, were conspiring with the "international bankers" to ruin America. McFadden lost his seat to a Democrat in 1934 and died in New York in 1936, under suspicious circumstances.

The Stock Market Panic of 1907

"John Pierpont Morgan and his (banker) allies, not only failed to contain the (stock market) panic of 1907, but they were compelled to seek help from Washington. The banking crisis that unfolded that autumn was different – it struck Wall Street itself. The Knickerbocker Trust Company, third largest in New York City, was forced into sudden bankruptcy and two others were driven to the brink. J.P. Morgan organized a money pool of $25 million (U.S.) for emergency loans, followed by another $10 million (U.S.). However, as he tried to contain the Wall Street crisis, alarm rippled across the country. Provincial banks rushed to draw down their reserves, anticipating that dreadful moment when New York would cut them off. The self-protective hoarding of reserves only added to the pressures. Cumulatively, it was more than Morgan and his colleagues could handle.

The 1907 trauma convinced Wall Street that the financial system and even the banks' own security could no longer depend on the good offices of a few titans like Morgan. Monetary reform became not just an interesting ideal, but a practical necessity. From that point on, the major banks and financiers applied their political influence to achieving it. Historian Gabriel Kolko described the watershed:

'The panic of 1907 was an indication of the extent to which the ability to control crises had moved out of the hands of the New York bankers. If it was merely a question of raising $50 million (U.S.) in a healthy European financial market, as in 1895, Morgan would have been able to handle the task. But the American economy and the scale of its needs, had grown tremendously, and it was as much affected by conditions outside New York as in the city itself. By 1907, Morgan, Stillman (of the Rockefeller bank) and other key leaders of finance were old men and the strain of the situation was more than they could bear financially or psychologically.'

The Origin of the Federal Reserve Board of Governors

"As new companies prospered without Wall Street, so did the new regional banks that handled their funds. New York's concentrated share of bank deposits was still huge, about half the nation's total, but it was declining steadily. Wall Street was still "the biggest kid on the block," but less and less able to bully the others. This trend was a crucial fact of history, a misunderstood reality that completely alters the political meaning of the reform legislation that created the Federal Reserve. At the time, the conventional wisdom in Congress, widely shared and sincerely espoused by Progressive reformers, was that a government institution would finally harness the "money trust," disarm its powers, and establish broad democratic control over money and credit. As Kolko's reinterpretation argued and the facts would subsequently demonstrate, the results were nearly the opposite. The money reforms enacted in 1913, in fact, helped to preserve the status quo, to stabilize the old order. Money-center bankers would, not only gain dominance over the new central bank, but would also enjoy new insulation against instability and their own decline. Once the Fed was in operation, the steady diffusion of financial power halted. Wall Street maintained its dominant position – and even enhanced it – until the trauma of 1929." Secrets of the Temple – How the Federal Reserve Runs the Country by William Greider, 1987.

"The Federal Reserve System is a legal private monopoly of the money supply operated for the benefit of the few under the guise of protecting and promoting the public interest. The basic plan for the Federal Reserve System was drafted at a secret meeting held in November of 1910 at the private resort of J.P. Morgan on Jekyll Island off the coast of Georgia. Those who attended represented the great financial institutions of Wall Street and, indirectly, Europe as well. The reason for secrecy was simple. Had it been known that rival factions of the banking community had joined together, the public would have been alerted to the possibility that the bankers were plotting an agreement in restraint of trade – which, of course, was exactly what they were doing.

What emerged was a cartel agreement with five objectives: stop the growing competition from the nation's newer banks; obtain a franchise to create money out of nothing for the purpose of lending; get control of the reserves of all banks so that the more reckless ones would not be exposed to currency drains and bank runs; get the taxpayer to pick up the cartel's inevitable losses; and convince Congress that the purpose was to protect the public. It was realized that the bankers would have to become partners with the politicians and that the structure of the cartel would have to be a central bank. The record shows that the Fed has failed to achieve its stated objectives. That is because those were never its true goals. As a banking cartel, and in terms of the five objectives stated above, it has been an unqualified success.

The real significance of the journey to Jekyll Island and the creature that was hatched there was inadvertently summarized by the words of Paul Warburg's admiring biographer, Harold Kellock: 'Paul M. Warburg is probably the mildest mannered man who ever personally conducted a revolution. It was a bloodless revolution: he did not attempt to rouse the populace to arms. He stepped forth armed simply with an idea and he conquered. That's the amazing thing. A shy, sensitive man, he imposed his idea on a nation of a hundred million people.' The Creature from Jekyll Island – A Second Look at the Federal Reserve by Edward Griffin, 1994.

The Federal Reserve Act

"The House version of the final Federal Reserve Act had passed the House on September 18, 1913 by 287 to 85. On December 19, 1913, the Senate passed their version by a vote of 54 to 34. More than forty important differences in the House and Senate versions remained to be settled, and the opponents of the bill in both houses of Congress were led to believe that many weeks would yet elapse before the Conference bill would be ready for consideration. The Congressmen prepared to leave Washington for the annual Christmas recess, assured that the Conference bill would not be brought up until the following year. Now the money creators prepared and executed the most brilliant stroke of their plan. In a single day, they ironed out all forty of the disputed passages in the bill and quickly brought it to a vote. On Monday, December 22, 1913, the bill was passed by the House 282-60 and the Senate 43-23.

Congressman Charles Augustus Lindbergh (father of the famous aviator) said on that historic day to the House: 'This Act establishes the most gigantic trust on earth. When the President signs this bill, the invisible government by the Monetary Power will be legalized. The people may not know it immediately, but the day of reckoning is only a few years removed. The trusts will soon realize that they have gone too far even for their own good. The people must make a declaration of independence to relieve themselves of the Monetary Power. This they will be able to do by taking control of Congress. Wall Streeters could not cheat us if you Senators and Representatives did not make a humbug of Congress …If we had a people's Congress, there would be stability. The greatest crime of Congress is its currency system. The worst legislative crime of the ages is perpetrated by this banking bill. The caucus and the party bosses have again operated and prevented the people from getting the benefit of their own government.'

The December 23, 1913, New York Times editorially commented, in contrast to Congressman Lindberg's criticism of the bill, 'The Banking and Currency bill became better and sounder every time it was sent from one end of the Capitol to the other. Congress worked under public supervision in making the bill.' By 'public supervision,' The Times apparently meant Paul Warburg, who for several days had maintained a small office in the Capitol building, where he directed the successful pre-Christmas campaign to pass the bill, and where Senators and Congressmen came hourly at his bidding to carry out his strategy.

The 'unprecedented speed' with which the Federal Reserve Act had been passed by Congress during what became known as 'the Christmas massacre' had one unforeseen aspect. President Woodrow Wilson was taken unaware, as he, like many others, had been assured the bill would not come up for a vote until after Christmas. Now he refused to sign it, because he objected to the provisions for the selection of Class-B Directors. William A. White relates in his biography of Bernard Baruch that Baruch, a principal contributor to Wilson's campaign fund, was stunned when he was informed that Wilson refused to sign the bill. He hurried to the White House and assured Wilson that this was a minor matter, which could be fixed later through 'administrative processes.' The important thing was to get the Federal Reserve Act signed into law at once. With this reassurance, Wilson signed the Federal Reserve Act on December 23, 1913. "History proved that on that day, the Constitution ceased to be the governing covenant of the American people, and our liberties were handed over to a small group of international bankers." The Secrets of the Federal Reserve by Eustace Mullins - 1983

In his book, The New Freedom: A Call for the Emancipation of the Generous Energies of a People, Woodrow Wilson lamented: "A great industrial nation is controlled by its system of credit. Our system of credit is privately concentrated. The (economic) growth of the nation, therefore 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 of free conviction and the vote of the majority; but a government by the opinion and the duress of small groups of dominant men … Since I entered politics, I have chiefly had men's views confided to me privately. Some of the biggest men in the United States, in the field of commerce and manufacture are afraid of somebody – are afraid of something. They know that there is a power somewhere so organized, so subtle, so watchful, so interlocked, so complete, so pervasive, that they had better not speak above their breath when they speak in condemnation of it."

The Structure and Function of the Federal Reserve System

The three main components of the Federal Reserve are: (1) the National Board of Governors, (2) the regional Reserve Banks, and (3) the Federal Open Market Committee (FOMC). Lesser components include: (4) the commercial banks which hold the stock and (5) the advisory councils. The function of the national Board of Governors is to determine the system's monetary policy. The Board consists of seven members who are appointed by the President and confirmed by the Senate. Their terms of office are fourteen years and are staggered so that they do not coincide with the presidential term of office. The purpose of this is to ensure that no single President can dominate Fed policy by stacking the Board with his appointments. One Board member is appointed as the Chairman and another as Vice Chairman, each for four years. The Chairman manages the staff and is the single most powerful influence within the system.

Control is exercised by the Board and a handful of top staff employees. The Federal Reserve Act mandated that the President, when selecting Governors 'shall have due regard to a fair representation of the financial, agricultural, industrial and commercial interests and geographical divisions of the country.' This mandate is now almost completely ignored since the Governors come primarily from the fields of banking and finance. The function of the regional Reserve Banks is to hold cash reserves of the system, supply currency to member banks, clear cheques and act as fiscal agent for the federal government.

The twelve regional Reserve Banks are located in Atlanta, Boston, Chicago, Cleveland, Dallas, Kansas City, Minneapolis, New York, Philadelphia, Richmond, San Francisco and St Louis. They are corporations with stock held by the commercial banks which are members of the system. Member banks elect the Directors of the regional Reserve Banks of which they are a part. The larger banks hold more shares, but they have only one vote in the selection of the Directors. Within each regional bank system, there are nine Directors. The member banks elect three Class-A Directors who represent the banking industry and three Class-B Directors who represent the general public. The remaining three Class-C Directors are appointed by the national Board. The Chairman and Vice Chairman of each regional Reserve Bank must be Class- C Directors. The selection of President and other officers is subject to veto by the national Board of Governors. In this way, the national Board is able to exercise control over the regional branches of the system.

The function of the Federal Open Market Committee (FOMC) is to implement the monetary policy set by the national Board 'whose mandate is to achieve full employment and price stability for the U.S. economy'; although the FOMC exercises considerable autonomy in setting its own policy. It controls the money supply and administered interest rates primarily by purchasing or selling government securities – although it also accomplishes that through the purchase or sale of foreign currencies – and the securities of other governments as well. Money is created and interest rates decline when the Fed makes purchases. Money is expunged and interest rates increase when the Fed makes sales. Monetary policy is formulated on a daily basis. In fact, it is monitored by the minute and the FOMC periodically intervenes in the fixed income market to effect immediate changes. The FOMC is composed of the national Board of Governors, plus five of the twelve regional Presidents who serve on a rotating basis. The exception to this is the President of the New York regional bank who has a permanent seat on the Committee. Thus, the system is firmly in control of the national Board with the President of the New York regional Bank being more powerful than the other regional Bank Presidents.

Twenty-four bond dealers conduct all transactions of government securities. Government agencies cannot exchange securities with each other without utilizing the auspices of bond dealers who earn a commission on each transaction. Decisions are made at secret meetings. A brief report is released to the public several weeks later, but transcripts of the deliberations are destroyed. That policy commenced in 1970 when the Freedom-of-Information Act was passed. Not even the CIA enjoys such secrecy. The function of the member banks is to conduct the nation's banking business and to implement the System's monetary policy in terms of putting money into, or drawing it out of the system, at the point of contact with individual or corporate borrowers.

This leads to the troublesome question of Federal Reserve ownership. The U.S. government does not own any stock in the System. In that sense, the Fed is privately owned. However, in this case the stock carries no proprietary interest, cannot be sold or pledged as collateral and does not carry ordinary voting rights. Each bank is entitled to but one vote regardless of the amount of stock it holds. In reality, the stock is not so much evidence of 'ownership' but simply certificates disclosing how much operating capital each bank has put into the system. The Fed is not a government agency and it is not a private corporation in the normal sense of the definition. It is subject to political control yet, because of its tremendous power over over politicians and the elective process, it has managed to remain independent of political oversight. Simply stated, it is a banking cartel, comprised of domestic and foreign banks in control of U.S. monetary policy and its organizational structure is uniquely constructed to serve that end.

Ronald Ernest Paul – Biographical Précis

Ron Paul was born in Pittsburgh, Pennsylvania, on August 20, 1935. He attended Dormont High School and received a Bachelor of Science degree majoring in biology at Gettysburg College in 1957. Then, after earning a Doctorate of Medicine degree from Duke University School of Medicine, he became a flight surgeon with U.S. Air Force during the 1960's. Paul has been married to Carol Wells since 1957 and they have five children, one of whom is Rand Paul, the junior senator from the state of Kentucky. Ron was first elected to the United States Congress in a special by-election 1976 in the 14th. Congressional District of Texas and early in his political career founded the Foundation for Rational Economics and Education. He is also the founder of the advocacy group Campaign for Liberty and his ideas have been published in numerous articles and books including End the Fed (2009) and The Revolution: A Manifesto (2008).

While serving on the House Banking Committee, Paul blamed the Federal Reserve for inflation and spoke against the banking mismanagement which led to the savings and loan crisis. Together with Jesse Helms, Paul sponsored the idea of the U.S. Gold Commission created by Congress in 1982 and his commission minority report was published by the Cato Institute in The Case for Gold; and is now available from the Ludwig von Mises Institute, to which Paul is a distinguished counselor. Paul currently serves on the House Foreign Affairs Committee, the Joint Economic Committee, the Committee on Financial Services and is Chairman of the House Financial Services Subcommittee on Domestic Monetary Policy, where he has been an outspoken critic of American foreign and monetary policy. Paul has or will run for the office of President of the United States on three occasions: as the nominee of the Libertarian Party in 1988; as a candidate for the Republican nomination in 2008 and again in 2012.

The National and International Banking Situation

Louis McFadden, part of a speech to the House of Representatives, March 2, 1931

"Mr. Speaker, before the Federal Reserve System was established in 1913, thousands of banks maintained their own gold reserves. After its establishment, the member banks gave their gold reserves into the control of the Federal Reserve Banks and a vast central pool of credit was created under the control of the Federal Reserve Board. 'Credit once brought into existence,' someone has said, 'is a natural fluid which cannot be kept from flowing into the nearest channel available under the gravitational force of demand in the form of interest rates.' The streams of credit which have flowed out of this central reservoir since its creation have brought changes and raised problems which were undreamed of in 1913. We have centralized the creation of credit and its uses … No doubt this was not in the mind of Congress when it established the Federal Reserve System. A status of peace seemed to be our normal condition, and it was the stabilization and equalizing of credit conditions in our domestic economy that was uppermost in the minds of the legislators. From 1914 to 1917, our stimulated foreign trade gave us a large favourable trade balance which was offset by loans by private bankers to the allies. After we entered the war, the belligerent governments suspended shipments of gold. The allied governments asked and received credits from the United States Government sufficient to cover all debts, and these credits were raised here by the floating of the Liberty and Victory loans … Returning to our metaphor of credit as a natural fluid, the scene from our stationery point of observation is now changed. The rushing stream that had been rushing across our territorial borders has dried up as quickly as it had sprung forth. Where before had been a broad and swift-flowing current, there appeared sandy wastes through which could be discerned a few trickling streams flowing from one stagnant pool to another. Credit for domestic purposes was as unavailable as for foreign … The recovery for the United States in 1922 coincided with the receipt of continued importations of gold on an immense scale. Gold continued to flow into the United States until … our gold stock in 1924 amounted to $4 billion. It is on the basis of this gold cover that the great industrial activity of the past decade has been able to be carried on."

The Treacherous and Disloyal Conduct of the Federal Reserve Board

Louis McFadden, part of a speech to the House of Representatives, June 10, 1932

“Mr. Chairman, we have in this country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board and the Federal Reserve Banks. The Federal Reserve Board … has cheated the Government of the United States and the people of the United States out of enough money to pay the national debt. The depredations and iniquities of the Federal Reserve Board and the Federal Reserve Banks acting together have cost this country enough money to pay the national debt several times over. This evil institution has impoverished and ruined the people of the United States; has bankrupted itself and has practically bankrupted our government. It has done this through the defects of the law under which it operates, through the maladministration of the law by the Federal Reserve Board and through the corrupt practices of the moneyed vultures who control it. Some people think the Federal Reserve Banks are United States Government institutions. They are not Government institutions. They are private credit monopolies which prey upon the people of the United States for the benefit of themselves and their foreign customers; foreign and domestic speculators and swindlers; and rich and predatory money lenders. In that dark crew of financial pirates, there are those who would cut a man’s throat to get a dollar out of his pocket; there are those who send money into States to buy votes to control our legislation; and there are those who maintain an international propaganda for the purpose of deceiving us and of wheedling us into the granting of new concessions which will permit them to cover up their past misdeeds and set again in motion their gigantic train of crime.

Those 12 private credit monopolies were deceitfully and disloyally foisted upon this country by bankers who came here from Europe and who repaid us for our hospitality by undermining our American institutions. Those bankers took money out of this country to finance Japan in a war against Russia. They created a reign of terror in Russia with our money, in order to help that war along. They instigated the separate peace between Germany and Russia and thus, drove a wedge between the allies in the World War. They financed Trotsky’s mass meetings of discontent and rebellion in New York. They paid Trotsky’s passage from New York to Russia, so that he might assist in the destruction of the Russian Empire. They fomented and instigated the Russian revolution and they placed a large fund of American dollars at Trotsky’s disposal in one of their branch banks in Sweden, so that through him Russian homes might be thoroughly broken up and Russian children flung far and wide from their natural protectors … It has been said that President Wilson was deceived by the attentions of these bankers and by the philanthropic poses they assumed … President Wilson died a victim of deception. When he came to the Presidency, he had certain qualities of mind and heart, which entitled him to a high place in the councils of this Nation; but there was one thing he was not and which he never aspired to be; he was not a banker. He said that he knew very little about banking. It was, therefore, on the advice of others that the iniquitous Federal Reserve Act, the death warrant of American liberty, became law in his administration. Mr. Chairman, there should be no partisanship in matters concerning the banking and currency affairs of this country, and I do not speak with any.”

Impeachment of Federal Reserve Board

Louis McFadden, part of a speech to the House of Representatives, May 23, 1933

Mr. Speaker, I rise to a question of constitutional privilege. On my own responsibility as a Member of the House of Representatives, I impeach Eugene Meyer, Roy A. Young, Edmund Platt, Eugene R. Black, Adolph Caspar Miller, Charles S. Hamlin, George R. James, Andrew W. Mellon, Ogden L. Mills, William H. Woodin, John W. Pole, J.F.T. O’Connor, members of the Federal Reserve Board; F.H. Curtiss, J.H. Case; R.L. Austin; George DeCamp; L.B. Williams, W.W. Hoxton, Oscar Newton, E.M. Stevens, J.S. Wood, J.N. Peyton, M.L. McClure, C.C. Walsh, Isaac B. Newton, Federal Reserve agents, jointly and severally, with violations of the Constitution and laws of the United States and whereas, I charge them with having taken funds from the United States Treasury which were not appropriated by the Congress of the United States, and I charge them with having unlawfully taken over $80 billion from the United States Government in the year 1928, the said unlawful taking consisting of the unlawful creation of claims against the United States Treasury to the extent of over $80 billion in the year 1928, and I charge them with thefts committed in 1929, 1930, 1931, 1932 and 1933, and in years previous to 1928, amounting to billions of dollars; and
Whereas, I charge them, jointly and severally, with having conspired to concentrate United States Government securities and thus, the national debt of the United States in the hands of foreigners and international money lenders; and with having conspired to transfer to foreigners and international money lenders title to and control of financial resources of the United States;

Whereas, I charge them, jointly and severally, with having factitiously paid installments on the national debt with Government credit unlawfully taken; and

Whereas, I charge them, jointly and severally, with the loss of United States Government funds entrusted to their care; and
Whereas, I charge them, jointly and severally, with having destroyed independent banks in the United States and with having thereby, caused losses amounting to billions of dollars to the depositors of the said banks and to the general public of the United States; and
Whereas, I charge them, jointly and severally, with failure to furnish true reports of the business operation and the condition of the Federal Reserve banks to the Congress and the people, and with having furnished false and misleading reports to the Congress of the United States; and
Whereas, I charge them, jointly and severally, with having published false propaganda intended to deceive the American people and to cause the United States to lose its independence; and
Whereas, I charge them, jointly and severally, with unlawfully allowing Great Britain to share in the profits of the Federal reserve System at the expense of the Government and the people of the United States; and
Whereas, I charge them, jointly and severally, with having entered into secret agreements and illegal transactions with Montague Norman, Governor of the Bank of England; and
Whereas, I charge them, jointly and severally, with swindling the United States Treasury and the people of the United States, in pretending to having received payment from Great Britain of the amount due on the British war debt to the United States in December 1932; and
Whereas, I charge them, jointly and severally, with having conspired with their foreign principals and others to defraud the United States Government and to prevent the people of the United States from receiving payment of the war debts due to the United states from foreign nations; and
Whereas, I charge them, jointly and severally, with having robbed the United States Government and the people of the United States by their theft and sale of the gold reserve of the United States and other unlawful transactions, and with having created a deficit in the United States Treasury which has necessitated to a large extent the destruction of our national defense and the reduction of the United States Army and United States Navy and other branches of national defense; and
Whereas, I charge them, jointly and severally, with having reduced the United States from a first-class power to one that is dependent, and with having reduced the United States from a rich and powerful nation to one that is internationally poor; and
Whereas, I charge them, jointly and severally, with the crime of having treasonably conspired and acted against the peace and security of the United States, and with having treasonably conspired to destroy constitutional government in the United States: Therefore, be it RESOLVED, That the Committee on the Judiciary is authorized and directed, as a whole or by subcommittee, to investigate the official conduct of the aforesaid, to determine whether, in the opinion of the said committee, they have been guilty of any high crime or misdemeanor which, in the contemplation of the Constitution, requires the interposition of the constitutional powers of the House. Such committee shall report its findings to the House, together with such resolution or resolutions of impeachment or other recommendations as it deems proper.

Why End the Fed?

In his book End the Fed, published in 2009, Congressman Ron Paul cites history, economics, philosophy and his own life experiences, to determine for whom the Federal Reserve has been operating the American financial system for nearly a century. "The Federal Reserve should be abolished because it is immoral, unconstitutional, impractical, promotes bad economics and undermines liberty. Nothing good can come from the Federal Reserve. It is the biggest taxer of them all. Diluting the value of the (U.S.) dollar by increasing its supply is a vicious, sinister tax on the poor and middle class. The Federal Reserve's monetary policy has brought us to where we are today – in a tragic economic mess. Though the dollar survives for now, the international financial system built over the past thirty-eight years (now forty years) has been brought down by market forces. The fiat dollar reserve standard that evolved out of the breakdown of Bretton Woods in 1971 has come to an end. That is the significance of the economic crisis in which we find ourselves.

Continuation of the same inflationary policies that led to this disaster cannot revive the current system, or bring back the Bretton Woods system of 1944. They are finished. What it can do is destroy the dollar. Unfortunately, since the housing bubble burst, signaling the end of a monetary era, everything the Fed and the Congress have done has set the stage for a dollar crisis. That's very bad news since the rejection of the dollar will create, mainly out of fear and a lack of any other ideas, an even greater crisis than the collapse of the international financial system. The evidence is abundant that the Fed is at fault and should be abolished. So far, though, all Congress has done is give it even more power as the principal central economic planner …

A central bank, by its very nature, is the opposite of a commodity standard of money. A gold standard does not require an authority to run it. If a central bank comes into being when a gold standard is in place, the purpose is to circumvent or eliminate the restrictions, (which) the gold standard places on those who want to enlarge the government over the opposition of the people. The only government involvement needed for a gold standard to work is to enforce anti-fraud laws and contracts. Inflation and (the) debasement of currencies have been around for a long time. Before modern-day central banks, the government, a king, or a tyrant with monopolistic powers over the monetary system, could choose to debase the currency for some ulterior motive, many times to pay for war and expand an empire. The (cryptic) irony is that once the power over money is used to build the state, in time the very process of monetary debasement, frequently destroys the empire with an economic crisis of its own making …

Although the worldwide elites of our day are very powerful and rich and control the central banks, they too will face limitations … The banking elite may be laying plans for even more control through globalization of trade and financial controls in a worldwide central bank managing a new fiat currency; but the laws of economics will prove cumbersome for them to overcome … There's no way society can build a lasting and prosperous economic system, without money of real value that lasts."

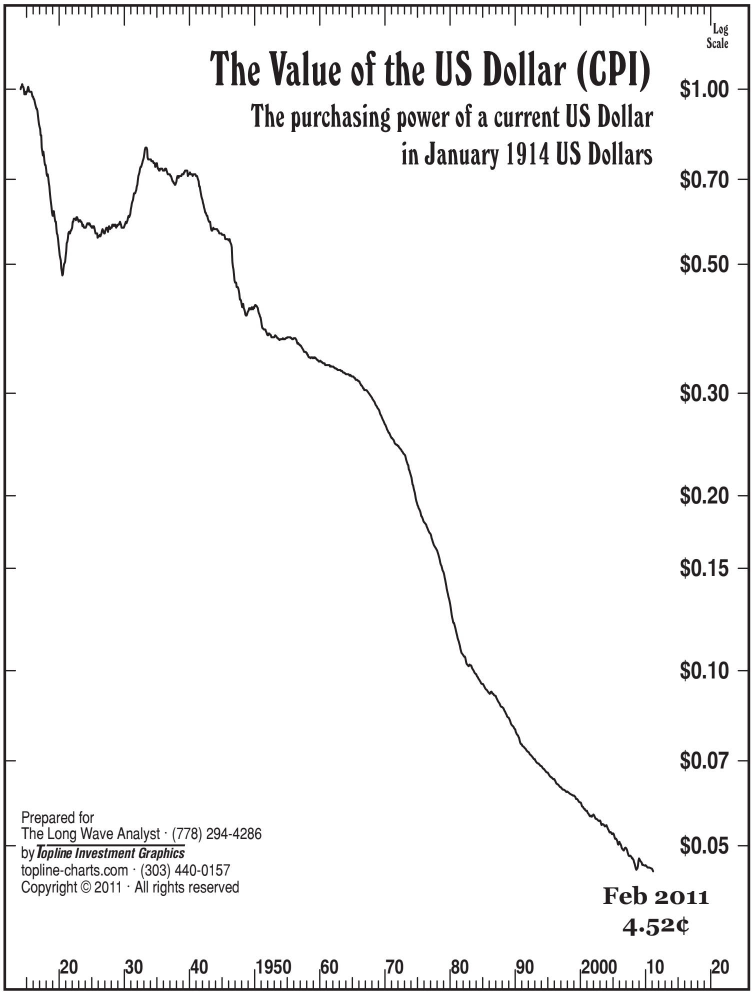
Indeed, one only has to recount a comment about the "money changers" made by James Madison, U.S. President from 1809 to 1817: "History records that the money changers have used every form of abuse, intrigue, deceit, and violent means possible to maintain their control over governments by controlling money and its issuance." Appropriately, herewith a quotation from Mayer Amschel Bauer Rothschild, the acknowledged "father of international banking" circa 1800: "Give me control of a nation's money and I care not who makes its laws."

Summary

Congressman McFadden's charges and resolution to impeach both present and former members and Governors of the Federal Reserve Board were forwarded to the Committee on the Judiciary, however, that Committee never reported the resolution to the House of Representatives. As can be discerned from excerpts of his speeches recounted above, while Louis McFadden was quite demonstrative and vociferous from the House floor, he delivered these anti-Fed speeches in the knowledge that neither, could he garner any support at that time nor, was he likely to receive any support in the future. Basically, he was 'a lone voice crying in the wilderness,' ultimately, losing his seat to a Democrat in 1934. Given the dire strait of the U.S. Government's deficit burden and national debt dilemma of the present, one can only contemplate how stinging McFadden's attacks on the Federal Reserve would be today. At Longwave Analytics, we have concluded that Mr. McFadden was probably unfairly discredited; for he displayed considerable courage during the dark days of the Great Depression 'fighting the good fight.'

Eighty years later, Mr. McFadden's Fed-bashing baton has been grasped by Congressman Ron Paul. What makes today's political scene so interesting, is that Mr. Paul has once again declared his candidacy for the Republican Party nomination for President of the United States in 2012. By decrying the unchecked concentration of power at the Federal Reserve through his book 'End the Fed,' Mr. Paul has demonstrated his fearlessness of breaking the taboos by which establishment politicians live. Despite being 75 years of age, among the declared candidates, Mr. Paul does stand out as the most experienced and knowledgeable, while possessing a national profile and status. According to a recent CNN survey his poll numbers have been rising, with 10% of Republican voters naming him as their choice to be the nominee, placing him only three percentage points behind Mitt Romney.

Albeit, somewhat right of center in his economic and social views, Mr. Paul currently does strike a common chord with the American electorate, who have become more critical of government and less trusting and less supportive of the social safety net. If there is one statement from Mr. Paul's book that bears repeating, it's this: "The (cryptic) irony is that once the power over money is used to build the state, in time the very process of monetary debasement, frequently destroys the empire with an economic crisis of its own making." Thus, as stated in our Economic Outlook for 2010: 'The Federal Reserve is likely to come under increasing scrutiny and public vitriol. The 1907 stock market crash was the precursor to the creation of the Federal Reserve and we believe that the start of the stock market crash 100 years later in 2007, will lead to its demise a century after its birth in 2013.'



At Longwave Analytics, we salute Mr. McFadden and Mr. Ryan for enlightening the public about the massive credit creation engineered by the Federal Reserve both in the 1920's and in the 1990's and 2000's. Assuredly, the most recent collapse of the U.S. housing market, the stubbornly high unemployment rate, the bankruptcy of hundreds of American banks and businesses and the potential bankruptcies of municipal and local governments are entirely attributable to the money printing activities of the U.S. Federal Reserve. Indeed, since U.S. President Nixon closed the gold window in 1971, we can conclude that the Federal Reserve has since used that opportunity to create as much paper (fiat) money as it desired. Within the current season of the Kondratieff winter, when the fiat money system collapses, credit also collapses, as will the economy. Subscribers must remember that the Fed always acts in the best interest of its owners; so in terms of its mandate of ensuring 'full employment while maintaining price stability' the Fed has failed. Suffice to say, the Fed can never really curtail its policy of quantitative easing to some degree or other, which reflects the likelihood that 2011 will mark the beginning of the end of the U.S. dollar as the world's reserve currency, 40 years after President Nixon abandoned the gold standard for America.

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