

Street banking clique and their lawyers, the CFR later became more broadly synonymous with the Anglophile Eastern Establishment.

President Franklin D. Roosevelt reasserted America's national mission from the 1930s through World War II. But after FDR's death, the London-Wall Street axis, now joined by Canada-based British Empire financiers, clamped a vise grip on American policymaking.

The premature death of FDR provided the opening for Winston Churchill, Bertrand Russell, and other leading lights of the "new" postwar British Empire, to orchestrate a Cold War divide between the wartime allies, the United States and the Soviet Union.

The National Security Act of 1947 and accompanying measures reorganized the U.S. Armed Forces along lines mapped out by Britain's Lord Maurice Hankey, for the reform and coordination of the U.S. and British military and secret services. Britain's New York banking clique (Harriman et al.) ran President Truman's global policy (1946-53), and (through the Dulles brothers) much of President Eisenhower's (1953-61). In this era, British-Soviet triple agent Kim Philby tutored the American CIA, and Montreal-based British intelligence operative Maj. Louis Mortimer Bloomfield counselled J. Edgar Hoover's FBI.

President John Kennedy, echoing Lincoln and Franklin Roosevelt, moved America back on the path of industrial and scientific progress, giving hope to the world that the post-colonial era had arrived. But following Kennedy's 1963 assassination, British-imported social and political changes—the New Age—swamped the U.S.A., under the management of the Ford and Rockefeller foundations, and other agencies of the Wall Street octopus.

This is the origin of the post-industrialism, "globalism," and cultural insanity which has so dangerously undermined America's uniquely positive contribution to world civilization, a contribution that can still provide a margin of victory, if properly marshalled, against the British-American-Commonwealth faction.

For further reading: Anton Chaitkin, *Treason in America: From Aaron Burr to Averell Harriman*, second edition (Washington, D.C.: Executive Intelligence Review, 1998); Webster Tarpley and Anton Chaitkin, *George Bush: The Unauthorized Biography* (Washington, D.C.: Executive Intelligence Review, 1992); Chaitkin, "Leibniz, Gauss Shaped America's Science Successes," *EIR*, Feb. 9, 1996; Chaitkin, "The 'Land-Bridge': Henry Carey's Global Development Program," *EIR*, May 2, 1997; Nancy Spannaus and Christopher White, editors, *The Political Economy of the American Revolution*, second edition (Washington, D.C.: Executive Intelligence Review, 1996); W. Allen Salisbury, *The Civil War and the American System: America's Battle with Britain, 1860-1876* (Washington, D.C.: Executive Intelligence Review, 1992).

The Federal Reserve

How the BAC controls credit, U.S. policy

by Richard Freeman

In 1913, the financier oligarchs of the City of London and Wall Street effected a profound change: They created the Federal Reserve System to impose a dictatorship on the United States, through control of the nation's credit. Through this means, economic and national policy can be dictated. Over the years, the Federal Reserve ruined America's productive economy, and destroyed its economic sovereignty. This became all the more important in 1913, because by then, America was the most powerful industrial nation in the world, producing fully one-third of the world's industrial output.

As a centralized authority, with the final say over most credit policy, the Federal Reserve handed to the City of London and Wall Street powerful levers, to set the level and price of credit, and to determine how much would flow, and for what purpose. The principal controls of the Federal Reserve are: 1) power over the discount rate, the rate at which commercial banks borrow directly from the Federal Reserve by discounting paper with the Fed; 2) power over the federal funds rate, which is the rate that controls the injection or withdrawal of 24- to 48-hour money into the commercial banking system (carried out through Treasury security "repurchase agreements"); 3) power to set the level of reserve requirements for banks; 4) power to own and market U.S. Treasury securities; and 5) power to issue credit, as only the Federal Reserve has the authority to purchase Treasury securities by monetizing them, that is, printing up new money.

Through the first and second powers enumerated above, the Federal Reserve sets the floor for interest rates for the economy as a whole. Showing the full wrath that can be inflicted on the economy through these combined powers, in October 1979, then-Federal Reserve Board Chairman Paul Volcker began instituting a policy of "controlled disintegration of the economy." During the week of Oct. 6-12, 1979, he started a process of continuously raising the discount and federal funds rates, which sent the prime lending and other interest rates into the stratosphere. The economy buckled. This produced an enduring effect: Between 1979 and 1985, one-third of America's high-technology machine-tool capacity was permanently shut down, and there was a close-down of a similar percentage of other capital-intensive industries throughout America's industrial heartland.

National banking

The Federal Reserve was instituted to stop the national banking tradition of Alexander Hamilton. As America's first Treasury Secretary (1789-95) and afterward, Hamilton effectively directed the policy of the Bank of the United States. A *national bank* acts for the *sovereign* interest of a nation, its population, and its progress. The bank made inexpensive credit available for America's manufacturing, agriculture, and internal improvements, such as road and canal building.

The 1913 Federal Reserve was created, modeled on the Bank of England, in opposition to a national bank. It was a *central bank*, a bank privately owned and operated for the interest of financier bandits: Though the Federal Reserve has a public board, the stock of the 12 district Federal Reserve Banks is privately owned by the commercial banks in those districts. That is, the New York Federal Reserve Bank's stock is owned by J.P. Morgan Bank, Citibank, Chase Manhattan, and other commercial banks. Combined, the commercial banks own the Federal Reserve System; on top of that, their patrons in the City of London give policy direction. The objective of the private owners of the Federal Reserve is to direct credit to build up a speculative bubble, and to finance such things as derivatives, while destroying America's development in a capital-intensive, energy-intensive mode. They make the claim that the Fed is "independent," a fourth branch of government; that is an unconstitutional assertion: There are only three branches of government in America, the Executive, the Legislative, and the Judiciary.

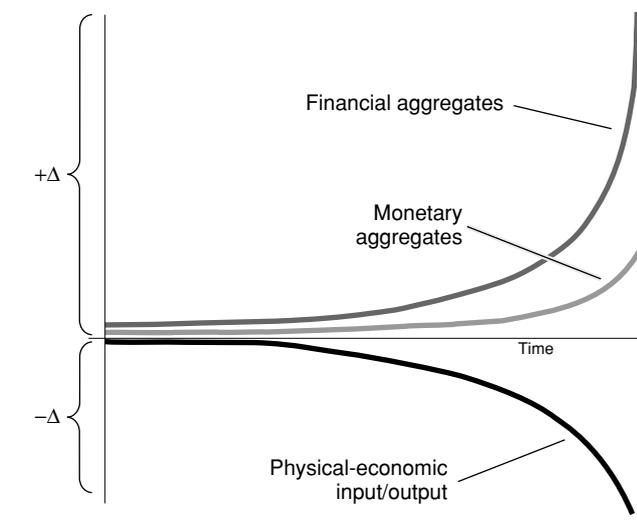
The key figures in foisting the Federal Reserve upon the United States were the tightly knit leaders of the London-directed Wall Street financier group: John Pierpont Morgan; Paul Warburg and Jacob Schiff of Kuhn Loeb investment bank; Rockefeller's National City Bank of New York; and Nelson Aldrich, the powerful Republican Senator from Rhode Island, who was chairman of the Senate Banking Committee and the father-in-law of John D. Rockefeller II.

The Specie Resumption Act

J.P. Morgan, acting on behalf of the interests of the London-based firm of his father, Junius Morgan & Co., began the process of creating the Fed by pushing the Specie Resumption Act through a lame-duck session of the U.S. Congress in 1875. Even though a number of incumbent Republican Congressmen had been voted out of office in November 1874, and a large number of incoming Congressmen opposed the Specie Resumption Act, Morgan pushed it through, acting together with Levi Morton of the Republican Party and August Belmont, the head of the Democratic Party and the leading representative of the Rothschild banking interests in America. The act put the United States on a deflationary gold standard, in which dollar issuance could only occur on a strict one-to-one backing with gold. The act sought to undo President Abraham Lincoln's great industrialization program of 1860-76, and targeted Lincoln's very helpful Greenback is-

FIGURE 1

A typical collapse function



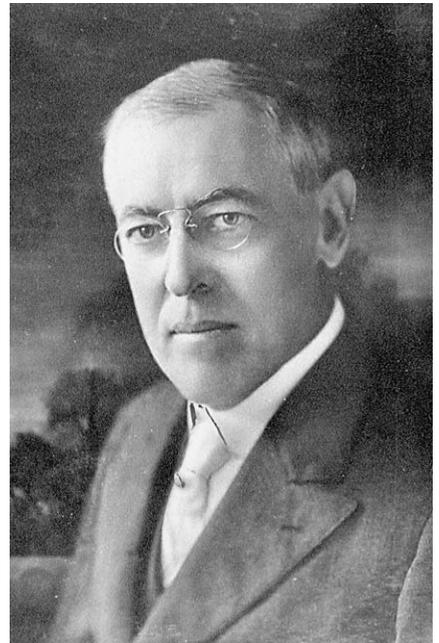
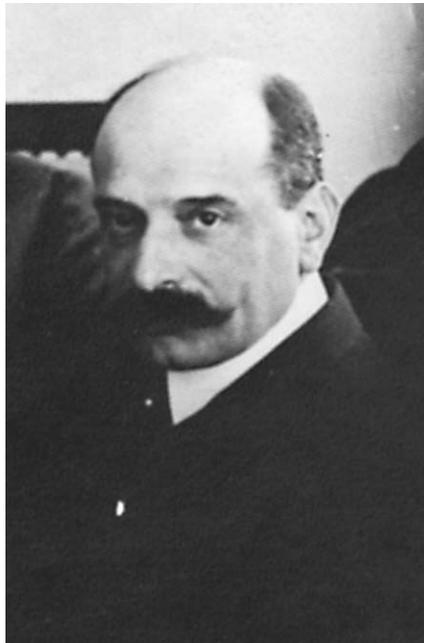
suance policy. A self-feeding deflationary spiral set in.

The Specie Resumption Act prolonged the financial crash of 1873 until 1877, produced the crash of 1883-85, the panic and depression of 1893-97, and the panic of 1903. The ensuing deflation, during 1875-1900, led to the slashing of wages by 20 to 30% and the fall in farm prices of 30 to 50%, depending on the commodity. Specie Resumption was the first in the one-two punch that led to the creation of the Fed.

In 1905-07, another panic occurred, leading to a credit crunch in the American midwestern and southern banks. Acting on this, J.P. Morgan declared that America needed a central bank, and in 1909, he helped set up the Indianapolis Monetary Commission, later renamed the National Monetary Commission, to "study" and promote the project. In December 1910, the financiers met at Jekyll Island, off the coast of Georgia. According to economist Dr. James L. Laughlin, a participant in the meeting, the group wore disguises en route. Among those participating were Dr. Laughlin; Sen. Nelson Aldrich; Henry J. Davison, a senior officer of J.P. Morgan & Co; Benjamin Strong, then an officer of the Morgan-run Bankers Trust, and later the head of the New York Federal Reserve Bank; Paul M. Warburg, the managing director of Kuhn Loeb; and Frank Vanderlip, president of National City Bank of New York. The meeting concluded that an offensive was needed to establish a central bank. They founded the National Citizen's League for the Promotion of a Sound Banking System, with Dr. Laughlin as its head.

Between 1910 and 1912, Senator Aldrich, as chairman of the Senate Banking Committee, repeatedly introduced legislation to create the Federal Reserve. But it was broadly seen as Wall Street legislation for a bankers' dictatorship, and rejected.

In 1912, the strategy was changed. Instead of running the



Among those who rammed through the unconstitutional creation of the federal reserve were (left to right): John Pierpont Morgan, Jr., Paul M. Warburg, and President Woodrow Wilson.

legislation through the pro-Wall Street Republicans, why not make the legislation appear that it was “anti-Wall Street”? The Democrats took control of the House and Senate in the 1912 elections. Rep. Carter Glass (D-Va.), chairman of the House Banking Committee, took essentially the same legislation as Senator Aldrich had submitted (with a few important variations and compromises) and introduced it as a Democratic measure. For the strategy to work, a President who was a Democrat was needed. J.P. Morgan senior partner George Perkins became Finance Committee chairman and ran the 1912 “Bull Moose” Presidential campaign of Teddy Roosevelt. The Republican vote was split between Roosevelt and the incumbent, President William Howard Taft. With the Republican vote split, Democrat Woodrow Wilson won the Presidency with less than 42% of the vote.

Immediately, an investigation of Wall Street was started up. Between March 1912 and June 1913, House Banking Committee Co-Chairman Arsene Pujo, and his Wall Street lawyer, Samuel Untermyer, held hearings that investigated every Wall Street wrongdoing—in a carefully controlled fashion. Though the investigation provided some of the outlines of Morgan control of Wall Street, the scandal was used to create a populist anti-Wall-Street sentiment that would allow Wall Street’s principal legislation, the creation of the Federal Reserve, to go through.

Many saw through the act. Sen. Charles A. Lindbergh, Sr. (R-Minn.) led the opposition in the Senate. In the House, Rep. Robert Link Henry from Texas, a spokesman for farm interests, addressed the Congress in July 1913: “The bill as now written is wholly in the interests of the creditor class, the banking fraternity . . . without proper provision for the

debtor classes, and those who toil, produce and sustain the country.”

President Wilson lied and cajoled to get the act through Congress. On Dec. 22, 1913, the House and Senate voted passage of the Federal Reserve Act, the House by a 298-50 margin, the Senate by 43-25. Wilson signed the act into law the next day.

On Dec. 25, 1913, Kuhn Loeb investment bank patriarch Jacob Schiff wrote to his firm’s managing director, and the act’s co-author, Paul Warburg, “This is a great day for rejoicing. It’s a great victory.”

The act’s implementation

The act marked a turning point in America’s history, institutionalizing the transfer of control of economic and credit policy from the nation to the financiers. This entailed a great loss of sovereignty. The Wall Street-London forces had the mechanism for a credit dictatorship, using the five powers enumerated above. They could monetize U.S. Treasury debt to create new credit for *their purposes*. They had the power to raise interest rates, making credit expensive, and to withhold it from manufacturing, agriculture, and infrastructure; this has been used, ever since, to collapse these sectors.

The act had a second purpose: to finance Britain’s war effort during World War I. Britain could not finance its war by itself. The pound sterling was stretched to the limit; it needed the United States, but the United States could not have done that with the methods that existed before 1913. In creating the Fed, the British created an international dollar, by issuing it against the real industrial wealth of America, and then having America lend dollars to Britain. Thus, the Federal

Reserve was also a British instrument for World War I.

Through Federal Reserve Board chairmen Arthur Burns (1970-78), G. William Miller (1978-79), Paul Volcker (1979-87), and Alan Greenspan (1987-), the Fed has carried out the purpose for which it was created in its most forceful form: building up a cancerous speculative bubble, while withering agro-industrial production and infrastructure. Since 1971, the physical economy has contracted at a rate of approximately 2% per year, while the speculative financial instruments have grown hyperbolically. Following the August-October 1998 eruption of a new phase in the world financial crisis, Fed Chairman Greenspan has moved against America's national interest, using the powers of the Fed on behalf of purely private financier interests, in his insane attempt to bail out the bankrupt world financial system, which will result globally in 1921-23 Weimar Germany-style hyperinflation.

The Sun never sets on the new British Empire

by Scott Thompson

From October 1994 through September 1997, EIR published a series of studies of the new British Empire; it was reprinted in September 1997 as a Special Report titled "The True Story Behind the Fall of the House of Windsor," which also included EIR's earliest coverage of the death of Princess Diana, revealing, for the first time, her private correspondence with a representative of Lyndon LaRouche. Space does not permit us here to duplicate that profile of the British monarchy, its worldwide tentacles of power, or its genocidal agenda. Nevertheless, critical features of that dossier form the necessary starting point to any competent understanding and road map of the "BAC phenomenon" today.

One of the most dangerous, widely held myths in the world today is the idea that the British monarchy is a "toothless tiger," with little more than ceremonial power, and little purpose beyond the attraction of tourists to Buckingham Palace to watch the changing of the guards.

In fact, the Queen of England, Elizabeth II, is the wealthiest individual in the world today, with vast real estate holdings, Crown treasures, and a cash-flow of investments estimated in the tens of billions of dollars, largely concealed through blind trusts and offshore accounts. The notorious hedge fund swindler, George Soros, is but one of many "handlers" of the Queen's portfolio.

As head of the British Commonwealth, Elizabeth II enjoys absolute sovereignty over 16 countries, and substantial authority over 60 additional countries and dependent territories. The new British Empire presides over 1.6 billion people,

representing more than 29% of the world population; and it occupies nearly 32 million square kilometers, or just below 24% of the world land-area. The nations of the British Commonwealth constitute the largest voting bloc in many multinational organizations, from the United Nations, to the Organization of African Unity (OAU), to the Association of Southeast Asian Nations (ASEAN).

The United Kingdom, Australia, New Zealand, and Canada are 4 of the 16 countries where Queen Elizabeth II is the sovereign. The governments and parliaments of those countries serve at her pleasure, and she has the unchecked authority to dismiss a government without cause or explanation. In 1975, a rebellious, popularly elected Australian government, under Prime Minister Gough Whitlam, was sent packing by order of Her Majesty.

Among the other states where the Queen is sovereign, are the British Caribbean offshore money-laundering centers, which harbor more than half a trillion dollars a year in illicit drug trade. This trade has been associated with the British Crown since Prime Minister Lord Palmerston dispatched the Royal Navy to fight two Opium Wars to impose drug addiction on the people of China, during the nineteenth century.

Among the "Prerogative Powers" enjoyed by the Queen to the present day: She alone has the authority to declare war; as commander-in-chief of the Armed Forces, the Queen may choose and appoint all commanders and officers on land, sea, and air; she can choose and appoint all judges, councillors, officers of state, and magistrates; she can appoint all archbishops of the Church of England, including the Archbishop of Canterbury, who is *primus inter pares* in the Anglican Communion, which consists of 40 separate national churches on every continent.

While these absolute powers reside exclusively with the monarch, the vehicle through which the Crown carries out its formal policies is a body with roughly 400 members, the Privy Council. Members are appointed, by the Queen, for life; they are drawn from the ruling party in the Parliament, from the "loyal" opposition, from the leading figures within the City of London, from the landed aristocracy, etc. Thus, British Prime Minister Tony Blair was appointed to the Privy Council on July 27, 1994, at the point that he moved into the opposition Shadow Cabinet, years before he was "elected" to the post of Prime Minister.

The Judicial Committee of the Privy Council, appointed by the Queen, functions as a secret Supreme Court for the majority of nations of the British Commonwealth. Many Commonwealth member-states that are not under the sovereign grip of the British Crown, "voluntarily" designated the Judicial Committee as their highest appellate court, above their own judicial systems.

The Queen is also the commander of all of the British intelligence services. At the Queen's discretion, the Prime Minister receives "the boxes," the top-secret communications of the various British intelligence services, at the Queen's discretion. During the 1991 Persian Gulf War, this developed