THE GREAT GOLD & SILVER RUSH OF THE 21ST CENTURY

BY MIKE MALONEY

ONLINE-ONLY CHAPTER

Just before going to press the decision was made to cut two chapters from the finished book, including this one. I moved these chapters to "online-only" status to simplify updating and so that I could include some accompanying explanatory videos to make them easier to digest. As a side benefit of deleting these two chapters from the book the retail price of the print version was reduced by $10, thereby enabling me to reach more people with this important information.

A POTENTIALLY BRIGHT FUTURE

A few decades ago, I decided "I should study money… If I want to get ahead in life." I did… And I did. One of the things I feel very strongly about is that everyone should learn as much as they can about currency, money, and the monetary system… right now. At this stage in the game, it's *urgent.* The impact of currency creation on our lives is tremendous and cannot be overstated. Learning about it benefited me tremendously, and I believe it will do the same for you. But it can also help the entire world. If enough people learn about this, we can not only prevent a very dark era in history from repeating, but we can help to steer humanity towards a much brighter future.

Please share this with everyone you can. Email it to your friends and family or ask them to go to GGSR21.com to download the latest updated version.

Because this chapter was cut from the print version of my book, I must repeat this disclaimer.

SLAVERY

My friends and colleagues have advised me not to use the words slave, slavery, or enslavement.

As a writer I give very serious consideration to my words. Today the terms slave and slavery have become intertwined with racism. I am not unaware of the current climate regarding racism, and I do not wish to offend anyone whose ancestors suffered the evils of slavery.

But economic slavery is evil too. If one person is forced to work for the benefit of another person, with no compensation whatsoever, that is a form of enslavement. It's just that it exists in the shadows—intentionally disguised, and invisible to most, but through the use of correct language I believe I can shine a light on it and reveal economic slavery as something very, very real.

My decision to use these words was not taken lightly, but I think it's the correct one, simply because we have no other words in the English language that adequately portray the financial crimes that are being committed against all of humanity.

(Note) Whenever you see a notation (superscript Roman numerals at the end of a word or sentence), you can hover your cursor, or double click on it, and it will take you to a link to the source.

CHAPTER 4

THE SCENE OF THE CRIME

> Give a man a gun and he can rob a bank,
> but give a man a bank, and he can rob the world.
>
> TYRELL WELLICK CHARACTER, MR. ROBOT TV SERIES

SURPRISE, SURPRISE!

In this chapter, I'm going to expose the largest theft in human history. I'll show you who the culprits are, how they did it, and the mind-boggling scale of the heist. We'll also look at the wealth transfer that has caused the great acceleration of income inequality and wealth disparity that is tearing our society apart at the seams.

The evidence I will submit in this chapter comes mostly from the Federal Reserve and the Bank of England. It lays the foundation for the next two chapters, and combined with them, it should give us a pretty good glimpse into the future of the global economy. So, hang on… You're going to be surprised.

A STORY TOLD IN PARTS

I truly believe that the only way for anyone to possibly comprehend the enormity of what's coming in the financial world, is by fully understanding the shaky economic foundation that supports our monetary house of cards. This chapter will show you that foundation… and you'll also get a hard look at some of the gaping cracks.

Chapters 1, 2 and 3 laid out the groundwork that will help guide you through this chapter, which is technically a lot more difficult. But the reward is that once you truly comprehend the information in the following pages, understanding the economy, as well as the rest of the book, will be a whole lot easier.

This is a story told in seven parts. Each part is a topic that is much easier to understand when considered separately, so take the time to fully digest each section before moving on. If you don't understand a section, then re-read it or join a discussion group at GGSR21.com and ask for help. Because, when looked at in whole, the sum of the parts makes sense of not only the rest of the book, but the entire economy.

The Parts:

1. Backed by the Full Faith and Credit of You.

    The work you must perform in the future to pay your mortgage, auto loan, credit cards, and taxes, is what instills faith in the currency… You give currency its value. YOU Have Been Monetized.

2. IOUSA

    The monetary system is based on the future extraction of taxes from all of us.

3. The $200 Billion Gift You Never Intended to Give.

    The Fed has given the banks more than $200 billion, and you're paying the bill.

4. The $7 Trillion Theft.

    1/3 of the currency supply was stolen… And guess who they stole it from?

5. An Economy on Life Support.

    For all but a few months, since 2008 the financial markets have been on artificial life-support… And now the Fed thinks they can just pull the plug without the patient dying.

6. Reverse Robin Hoods.

    How the Federal Reserve steals from the poor and middle-class to give to the rich… Every second of every day.

7. The New Slavery.

    When central banks steal purchasing power from the common man, he must then work more—not to increase his wealth—but simply to replace the stolen purchasing power. If you are forced to work for the benefit of another, with no compensation, that is enslavement.

I'll delve a lot deeper into each of these topics in just a moment. But first… I need to set the stage.

WE'VE MORTGAGED OUR FUTURE

Many people confuse *debt* with *deficit, budget deficit*, and fiscal deficit. When the United States runs a ***budget deficit***, it means that our politicians are *planning*, in the *budget*, to purposely spend that much more than our income for that fiscal year. The terms *deficit, real deficit,* and *fiscal deficit* refer to the amount that we actually spent that exceeded our income. And perhaps not so surprisingly, the *real fiscal deficit* almost always turns out to be higher than

the budget deficit. The real deficit is simply the change in national debt. How much did we owe last year, vs. how much do we owe this year? If we owe more this year than we did last year, the difference is the real deficit. If you take all of the annual real fiscal deficits, and add them together, you have the total debt that we owe… our national debt.

In 2020 the budget deficit was 19 ½ times higher than in 2007, the year before the global financial crisis[i]. As I write, the US national debt is more than $31 trillion. And our politicians keep on making it worse by always adding more deficit fuel to the debt fire. As long as we have deficit spending the Treasury must issue increasingly more debt… adding to the national debt.

Every Treasury auction is also the same as a mortgage refinance, but for the entire country, because every day some of our old national mortgage comes due (bills, notes, and bonds mature). Thus, every business day they must refinance our old, low interest rate debt, at potentially higher rates.

At the beginning of 2022, US Treasury yields averaged a little over 1%. By the beginning of 2023, they averaged just over 4%. A little more than 4% interest on a little more than $31 trillion of debt is a little more than 1-¼ trillion dollars… and that's not a little… it's a lot.

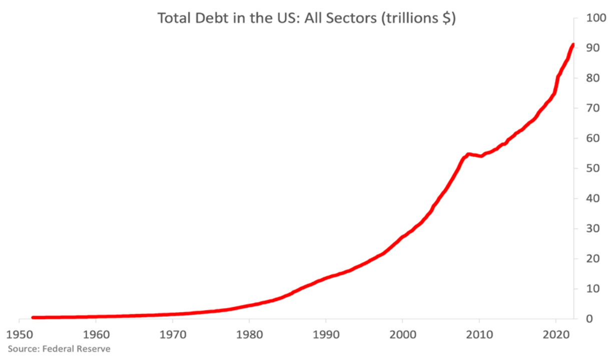
Now, to be fair, the average maturity of all of the different debt instruments that make up our national debt is just over five years. That means that, on a rolling average, the entire national debt must be refinanced every five years, which means that the really big interest payments have not hit us yet… But they will.

And the same rolling over and refinancing that applies to our government, also applies to businesses and individuals as well. If the Fed continues raising interest rates the economy will slow or contract until people stop buying, which will then cause countless businesses to fail, unemployment to soar, families to lose their homes, and many people to file for bankruptcy.

Today the *private* debt of corporations, small businesses, families, and individuals, is around $60 trillion[ii]. So when you include the national debt, our total debt in the US (public plus private) now exceeds $90 trillion.

4% interest on $90 trillion is $3,600,000,000,000…

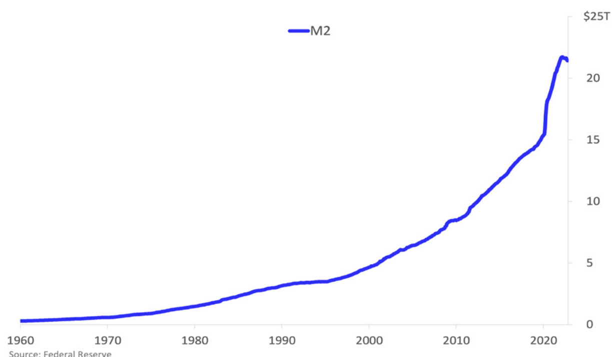
THREE TRILLION SIX HUNDRED BILLION DOLLARS!



This… is the *Pit of Debt* I was talking about in chapter 2.

The higher the cliff… The bigger the fall.

According to the Federal Reserve, the broadest measure of how many dollars there are¬—how many dollars exist in the entire world—is the M2 currency supply, which currently stands at a little under $21.5 trillion.



So, is the Federal Reserve telling us that we owe four times more debt than all the dollars that exist?

Yes.

I've tried my best to think of some sort of solution, but I can't see any scenario that has a happy ending.

So how did we get here? What caused all this? Most people would say: out-of-control government spending. But that's actually an *effect,* not a *cause*. The true

cause is a currency that can be conjured into existence from nothing. That is how we can continually spend more than we've got.

For some reason, the process of fiat currency creation leading to the $90 trillion "Pit of Debt" reminds me very much of the *Sorcerer's Apprentice* from Disney's *Fantasia* movie. Mickey Mouse works for a sorcerer, bringing buckets of water from the well to fill the cistern in the sorcerer's quarters. The sorcerer leaves the room. Mickey dons the sorcerer's magic hat, casting a spell on a broom to do his work for him. All goes well at first, but Mickey soon loses control as he finds the room flooding. He tries to stop the broom, but he can't, so he chops it into pieces. The pieces come back to life and soon there are hundreds of brooms bringing buckets of water until the room is overflowing and Mickey is about to drown. Just then the sorcerer arrives, and with a wave of his arms reverses all the damage done. Mickey is saved.

The financial system is out of control, and we are drowning in debt.

So, it was the sorcerer who saved Mickey… My question is… Who will save us?

PART 1:

BACKED BY THE FULL FAITH AND CREDIT OF YOU

FAITH

It is said that fiat currencies are faith-based. That they only have purchasing power because of your faith in them. That, because they purchased something yesterday, we all have faith that they will purchase roughly the same amount tomorrow.

I actually hope this book shakes your faith to its very foundations. Because faith in fiat currency is akin to faith in forgery, fabrication, falsehood, and fraud.

In Chapter 1, I said:

> *Today, the vast majority of currency is created by just typing numbers into a computer. So now, please ask yourself… How many numbers are there? What is the limit to currency creation?*

One of the key attributes of money, is that it must be a *store of value*. In my earlier chapters, I believe I proved, beyond a shadow of a doubt, that no nation today uses real money. And in closing I said:

If somebody disagrees with your stance that national fiat currencies are not money, and claims that their currency is money, ask them: "Do you believe money is a store of value?" If they answer yes, then ask them: "Is there inflation?" If they answer yes, then ask them: "But aren't those two things mutually exclusive?"

*If there is inflation the **currency** is not storing value… It's losing value. Therefore, it is not money.*

Real money does not require faith.

The purchasing power of an ounce of gold or silver is simply the market placing a value on the rarity, the time, and the effort required to produce it — which is equal to the time and work you must put in to acquire it — which is equal to the value of the things you can buy with it.

In other words, if you purchase a house with gold coins it is a fair transaction because: The time and effort put into prospecting, developing a mine, mining the ore, refining it, pouring it into bars, and minting it into coins — is ***equal*** to — the time and effort you put into earning enough gold coins to buy a home — which is also ***equal*** to — the value of the time, effort, and materials required to build that home.

When we transact with currency, it's fraud. We are trading nothing, for something of value. When we transact with money it's a fair trade. We're trading something of value, for something of ***equal*** value. This is the reason gold and silver are called *honest money.*

Money stores value… Currency steals value.

So, even though they do not require faith to have value… I've put my faith in gold and silver.

GOING SHOPPING

Imagine you're in the checkout line at a grocery store and, when it comes time to pay, you simply whip out a pencil and a blank scrap of paper and scribble "This is 100 dollars" and hand it to the clerk, who accepts it. If you've ever pulled off such a heist, then you have "*the gift.*" The gift of fraud. The gift of theft. The gift of a banking license.

Modern banks are allowed, by law, to perpetrate this con on a routine basis. In fact, it's the only thing they do. Central banks and commercial banks justify this by saying, "now everyone feels richer, so they'll spend more, and that will *really* make them richer!"

Obviously, this is insane. If the goal is to make everyone richer, then why don't we just give everyone a hundred dollars directly? Or better yet, a thousand – or a million. If we just give everyone a bunch of newly created currency, then we're all relatively the same amount of "*rich*" that we were before, because the prices of everything in the economy will quickly rise to reflect the new injection of cash. In other words, *nothing would change.*

FOR RICHER OR POORER

This is basically what our banks (beginning with the Fed) do, EXCEPT, they don't spread the new currency around evenly. So, if something *does* change, it *has* to be that some people get relatively richer while other people get relatively poorer. It doesn't take a genius to figure out that whoever types the new currency into existence gets the richest, instantly, and then the next person to receive it gets the second-most rich, and so on and so forth down the line as the currency is spent from one person to another. The benefit of the new currency (its *value*) declines as it circulates in the economy because the price of each good and service gradually rises to account for the new currency. It's an economic truism: inflation of the currency supply inevitably erodes the purchasing power of the currency, which then translates into rising prices.

The important point is that whoever doesn't "touch" the newly created currency won't get any of its benefit. In fact, it is these people – those who *don't* receive

the new currency – who pay the cost of the newly-acquired "richness" of those who *do* receive it. They pay for it through the tax known as inflation, as prices increase faster than their wages, causing all the things that they want and need to be priced ever further from their grasp.

So essentially, we can divide the world into three types of people: (1) those who create the currency, (2) those who receive its benefits, and (3) those who pay the price. And since we know that currency-printing is theft, we can re-characterize those groups as (1) the robbers, (2) the beneficiaries, and (3) the victims.

> Of all the many ways of organizing banking, the worst is the one we have today.
>
> **–MERVYN ALLISTER KING, FORMER DEPUTY GOVERNOR, BANK OF ENGLAND[III]**

THE CURRENCY CONFIDENCE CON JOB

We learned in chapter 1 that there are three forms of currency. Two forms of base currency (created by central banks), and bank credit (created by commercial banks).

The first form of base currency is bank reserves (also called *narrow money*), which is never seen, touched, or used by the public. It's a separate monetary system used only for inter-bank settlement. The second form of base currency is currency in circulation (the paper notes in your wallet or purse). And the third form of currency is bank credit.

So, how is currency created? What are bank reserves? What's in your wallet? What's in your bank account?

Well, as it turns out, paper notes are IOUs that central banks just imagine into existence. Then, to put them into circulation, they buy something with them.

Your bank account is nothing but digits that remind the bank that it owes you some of these paper central bank IOUs. In other words, bank credit is IOUs for IOUs. There are approximately 10 times more bank credit IOUs for IOUs than paper central bank IOUs. This is because bank credit IOUs for IOUs are imagined into existence whenever a bank makes a loan.

Bank reserves are part of that completely separate monetary system I was talking about, where the banks have reserve accounts at the central bank. These reserve accounts are also filled with central bank IOUs, but it's a different kind of IOU that can only be exchanged among banks.

So, if the entire monetary system is just IOUs, what is it that they owe us?

Well, this will never happen, but theoretically… if everyone, including the public and the banks, were to try to redeem their IOUs from each other, then: The banks would have to pay the public their deposits (minus any loan balances owed) in central bank IOUs (paper base currency notes). The public would then go to the central bank to redeem their paper IOUs. The banks would also go to the central bank to redeem their bank reserve IOUs.

At the end of the line is the central bank. Since all central bank IOUs are a liability of the central bank, the central bank would have to pay out its assets… That's what backs their IOUs, so that's what the central bank owes us.

What are the central bank's assets?

Mostly the sovereign debt of whichever country that central bank issues IOUs for. In the United States, the Federal Reserve holds mostly US Treasury bills, notes, and bonds.

What are those Treasury bills, notes, and bonds?

An IOU, which promises to pay the bearer of the IOU ***YOUR future taxes***.

What???!!!

Yes, the entire world monetary system can be summed up in just six letters.

IOU YOU

All banks, whether they are central banks or commercial banks, **d*o not lend anything that already exists.* Instead, they just imagine a number… and then lend it to you… with interest.**

Q: What gives cash (like Federal Reserve notes) value? What backs them?

A: When the Federal Reserve buys an asset like a US Treasury bill, note, or bond (which is an IOU from the Treasury for revenues from future taxation), the central bank ***imagines*** some IOU numbers that match the ***imagined*** value of the IOUs they are buying from the Treasury. Since US Treasuries are IOUs for future tax revenues, what backs the newly imagined Federal Reserve US dollar IOUs… are the future hours you must work to pay your taxes. Stop paying your taxes… and you go to jail. This guarantees to the Federal Reserve that ***you will*** work in the future to make good on ***their*** IOUs.

Q: How do commercial banks create bank credit IOUs for IOUs?

A: When you take out a loan for a house or a car, the bank ***imagines*** a number that matches the ***imagined*** value of the collateral you are offering, and then types it into your account. That number is a reminder to the bank that it owes you that amount of central bank paper IOUs.

Q: What backs the IOUs in your account? What gives them value?

A: The hours you must work in the future to make the payments on your mortgage or car loan. Your house or your car secures (guarantees) the value of those IOUs. Stop making payments on your house or your car… and the bank will take them. This also guarantees to the bank that ***you will*** work in the future to make good on ***their*** IOUs.

The only thing that gives any national fiat currency value is the extraction of future work hours from YOU. Therefore, YOU have been monetized.

As I said back in chapter 1… If you are not angry, you're not paying attention.

GO ASK ALICE

To quote an excerpt from Joshua Maree's book, *Debt by Design:*

> *Readers are encouraged to stop for a minute and contemplate the circular reasoning that underpins our debt-based monetary system.*
>
> - *The public believe that deposits have value.*
> - *The value of the deposits is determined by the value of the loans.*
> - *The value of the loans is determined by the ability of the public to repay their debt.*
>
> *And there you have the circular argument. Looking at the reasoning in reverse; the ability of the public to repay their debt determines the value of the loans, and the value of the loans determines the value of the deposits.*
>
> *Consequently, if the public ever tried to determine what it is that instils value into their deposits, they would end up staring into a mirror. This epiphany is uncomfortable and bewildering for many.*
>
> *This circular reasoning is equivalent to the term "literary nonsense" used to describe Alice in Wonderland.*

You don't believe me? Well, here are some ***direct quotes from central banks.*** (Anything in ***bold*** is my own emphasis). If you believe that counterfeiting, theft, and fraud are crimes, then these quotes are very self-incriminating. But you know the old saying:

GIVE A MAN ENOUGH ROPE, AND.........

Before I get into it, I want to send out my thanks to Joshua Maree for his book, *Debt by Design*. It's an easy read, and you can download a free copy at: *fairmoney.info/pdf/.*

We'll start with the Bank of England pamphlet, *Money Creation in the Modern Economy*, because the BOE is quite open and honest about the deceptive practices of banking. You can get a copy at: *bankofengland.co.uk/quarterly-bulletin/2014/q1/money-creation-in-the-modern-economy*, or *fairmoney.info/documents.*

When they say, "broad money," they're talking about any type of currency the public uses. When they say, "narrow money," they're referring to bank reserves.

> *Broad money is made up of bank deposits — which are essentially* ***IOUs*** *from commercial banks to households and companies — and currency - mostly* ***IOUs*** *from the central bank.*[iv]
>
> ***Reserves are an IOU from the central bank*** *to commercial banks. Reserves can only be lent between banks, since consumers do not have access to reserves accounts at the Bank of England.*[v]
>
> ***Commercial banks create money,*** *in the form of bank deposits,* ***by making new loans****. For this reason, some economists have referred to bank deposits as 'fountain pen money', created at the stroke of bankers' pens when they approve loans .*[vi]
>
> ***Bank deposits are*** *simply* ***a record of how much the bank*** *itself* ***owes its customers.***[vii]

PART 2:

IOUSA

IN ANTICIPATION OF TAXATION OF THE POPULATION OF THE NATION

So now we've seen a very simplified overview of what the economy is, what currency is, and how currency is created. But the mechanics of currency creation are much more complex than that, and it's really important for you to know just how they do it, so that you can fully understand the following sections, and comprehend the impact that fiat currency creation has on the economy, your standard of living, and your life.

We know that commercial banks imagine currency into existence when they write a loan against some sort of collateral. But there are restrictions. They can't just imagine an infinite number of IOUs into existence. There are rules and regulations, and every bank has a balance sheet which must remain strong, or the bank could become insolvent.

Central banks too have rules, regulations, and balance sheets. But their limit to currency creation is… shall we say… a little more flexible—as we have all seen with the advent of Quantitative Easing (QE).

All quotes in this section are from the Federal Reserve or the US Department of the Treasury.

So, how does the Federal Reserve create currency?

Usually through something called Open Market Operations.

What are Open Market Operations?

> …*the Open Market Desk at the Federal Reserve Bank of New York (or, the Desk) permanently or temporarily buys or sells securities issued or guaranteed by the U.S. Treasury or U.S. government agencies. When the securities are bought or sold, reserves in the banking system are increased or decreased, respectively.*[viii]

But I want to dig a little deeper, so let's take a look at *The Federal Reserve Act of 1913 (periodically amended), Section 14. Open Market Operations, Subsection (b).*

Hint… If you want to know the true meaning read only the ***red*** words.

> ***To buy and sell****, at home or abroad,* ***bonds and notes of the United States****, bonds issued under the provisions of subsection (c) of section 4 of the Home Owners' Loan Act of 1933, as amended, and having maturities from date of purchase of not exceeding six months, and bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months,* ***issued in anticipation of the collection of taxes*** *or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage and reclamation districts, and obligations of, or fully guaranteed as to principal and interest by, a foreign government or agency thereof, such purchases to be made in accordance with rules and regulations prescribed by the Board of Governors of the Federal Reserve System. Notwithstanding any other provision of this chapter, any bonds, notes,* ***or other obligations which are direct obligations of the United States or which are fully guaranteed by the United States as to the principal and interest may be bought and sold*** *without regard to maturities* ***but only in the open market.***

So, the *Federal Reserve Act* allows the Fed to buy and sell US Treasuries (our national debt) or any other obligation guaranteed by the government, in anticipation of future extraction of taxes from the population.

From World War II to 2008, the Fed's purchases and sales pretty much stuck to US Treasuries. But since the crisis of '08 they've introduced mortgage-backed securities into the mix. That's where the term ***"other obligations"*** comes in.

A mortgage-backed security (MBS) is basically your mortgage bundled-up with a bunch of other mortgages, then securitized so it can be publicly traded on an exchange (like a stock). If the MBS was issued by a GSE (government-sponsored enterprise), like Fannie Mae, Freddie Mac, or Ginnie Mae, then the MBS is guaranteed by… Wait for it… Drumroll please… ***YOU!***

If it's guaranteed by the government, then it's guaranteed by *your* taxes.

In 2022, Federal Reserve assets peaked at just under $9 trillion, of which $5.77 trillion were US Treasuries and $2.74 trillion were mortgage-backed securities. So, the Federal Reserve is now the world's largest lienholder on both real estate and future taxation.[ix]

OPEN FOR BUSINESS

What does it mean when the regulations specify that the Fed can buy and sell, ***"but only in the open market"***? You'd think it would mean they are dealing with a variety of buyers and sellers and using the same exchanges that you and I can use to purchase stocks and bonds. Wouldn't you?

So, from whom do they buy?

> *The Federal Reserve Act specifies that the Federal Reserve may buy and sell Treasury securities only in the **"open market."** The Federal Reserve meets this statutory requirement by conducting its purchases and sales of securities chiefly through transactions with a group of major financial firms--so-called **primary dealers**--that have an established trading*

relationship with the Federal Reserve Bank of New York (FRBNY).
-Federal Reserve Bank of New York[x]

Primary dealers are trading counterparties of the New York Fed *in its implementation of monetary policy.* ***They are also expected*** *to make markets for the New York Fed on behalf of its official accountholders as needed, and* ***to bid*** *on a pro-rata basis* ***in all Treasury auctions*** *at reasonably competitive prices.* -US Department of the Treasury[xi]

In other words, it's a completely different "open market" than the one you or I use. The Fed transacts only with its primary dealers, and then the primary dealers transact on the open market or directly with the US Treasury .

Primary dealers are some of the largest financial institutions in the world. At this writing there are 25 of them. They include such notables as: BofA Securities, Cantor Fitzgerald, Citigroup Global Markets, Goldman Sachs, HSBC Securities, J.P. Morgan Securities, Morgan Stanley, UBS Securities, and Wells Fargo Securities, among others.[xii]

Now, maybe I'm wrong here, but from all of my research and to the best of my knowledge, none of the primary dealers above are commercial banks. They are *investment* banks, bank *holding companies*, or brokerages, which are non-bank entities, that do not have reserve accounts with the Federal Reserve. However, they all must have a corresponding bank that does have a reserve account at the Fed. For example, Goldman Sachs and Morgan Stanley are bank holding companies that do not have reserve accounts, but they own banks that do. JP Morgan Securities, LLC does not have a reserve account, but JP Morgan Chase does; BofA Securities, Inc. does not have a reserve account, but Bank of America Corporation does. And so on.

Remember, according to the Federal Reserve act, the Federal Reserve can buy ***only in the open market.*** That means that, unlike the Bank of England and other central banks (who can deal directly with commercial banks), the Federal Reserve ***cannot*** deal directly with banks. The Federal Reserve act forbids it. It must transact through its primary dealers, and *only* its primary dealers. However, the primary dealer can buy from anyone: pension funds,

hedge funds, mutual funds, banks, brokerage houses, or even you and me through our brokerage accounts.

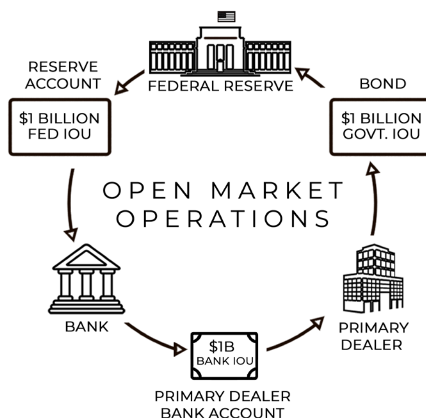
You'll see just how important this is later, but you need to know that the primary dealers are ***private sector, non-bank***, financial institutions that do not have reserve accounts with the central bank.

Here the Federal Reserve spells it out. The ***private sector counterparties*** are the primary dealers:

> *The Federal Reserve Act requires that the Desk conduct its purchases and sales in the open market. To do so, the Desk has established relationships with* ***private-sector counterparties*** *that are active in the market for U.S. government securities. — The Federal Reserve pays for those securities by crediting the reserve accounts of the* ***correspondent banks*** *of the primary dealers.* ***The correspondent banks, in turn, credit the dealers' bank accounts.*** *In this way,* ***the open market purchase leads to an increase in reserve balances.***[xiii]

So how do open market operations work?

A SHELL GAME LIKE NO OTHER



For every $1 billion the Federal Reserve wants to inject into the markets to stimulate the economy, the Federal Reserve simultaneously buys $1 billion worth of US Treasuries or government-guaranteed mortgage-backed securities (MBSs) from one of its primary dealers. But since the primary dealer does not have a reserve account at the Federal Reserve, unless the Federal Reserve sends an armada of armored cars packed with $1 billion worth of paper IOUs, the Federal Reserve cannot pay the primary dealer directly. So, the Fed imagines $1 billion of

brand new base currency IOU digits and types them into the reserve account of the primary dealer's "correspondent" bank, and simultaneously instructs the bank to imagine $1 billion of brand new bank credit IOU reminder digits into the primary dealer's checking account… and *Abracadabra, Alakazam, Gort, Klaatu barada nikto* [xiv]… the Fed has $1 billion in US Treasuries and MBSs, the bank has $1 billion more central bank IOUs in its reserve account, the primary dealer has $1 billion worth of reminders that it is owed IOUs in its checking account, and now the fund can go shopping for more assets with those reminders… and everyone is happy.

So again, for every $1B asset the Fed purchased, $1B of central bank IOUs were created as reserves and another $1B of bank credit IOUs entered circulation through the primary dealer's checking account.

But do you see the BIG problem here? For every dollar worth of assets purchased by the Fed: one dollar of base currency is created, *AND* one dollar worth of bank credit currency. But since the banks can only use the base currency in their reserve accounts for inter-bank settlement, reserves get ***stuck*** there and keep on piling up. This is super important, as the gravity of this situation will be revealed in upcoming sections.

> *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.*
>
> **–JOHN KENNETH GALBRAITH**

SUPER-SIZE ME!

The Federal Reserve claims that QE is just reducing the number of short-term Treasuries (bills) it holds, while massively increasing their holdings of longer-term Treasuries (notes and bonds).

Here's how the Fed describes QE.

> *…the Federal Reserve greatly expanded its holding of longer-term securities through open market purchases with the goal of putting downward pressure on longer-term interest rates and thus supporting economic activity and job creation by making financial conditions more accommodative.* - Board of Governors of the Federal Reserve System[xv]

If you look behind the curtain, though, you'll see they're doing business the same old way.

QE IS REALLY JUST OPEN MARKET OPERATIONS... BUT A LOT BIGGER

They call them large scale asset purchases. How large? From before the financial crisis of 2008 to 2022 Federal Reserve holdings of longer-term notes and bonds rose by a factor of 10.5 times, and total securities held outright (which also includes both short-term Treasuries and mortgage-backed securities) rose 10.75 times. But, since bank reserves get ***stuck*** in the reserve accounts, they were up by a factor of more than 400, and excess reserves by roughly 2500 times.

SO, WHY QUANTITATIVE EASING?

The goal: manipulate the bond market using artificially created demand by the Federal Reserve to raise bond prices, thereby pushing interest rates down (rate being the inverse of price).

The intention: to stimulate the entire economy by enticing everyone to take on more debt.

The result: lower interest rates and all of this brand-new currency pumped directly into the financial sector created massive bubbles in both real estate and the stock markets.

The knock-on effect: As you'll learn shortly, Wall Street was enriched at the expense of Main Street. Wall Street made out… Main Street paid out.

Why aren't we all questioning the morality of this? Think of it. Why do we allow an entity to counterfeit currency into existence and buy assets such as bonds (cash flow from our future taxes), artificially inflating the price of those assets, causing massive bubbles and bidding those assets away from private investors like you? To me this seems so incredibly immoral. It should be illegal—and, in the US at least, before the Fed arrived in 1913… it was.

QE, FED & BOE

So, we have established that the Federal Reserve Act forbids the Federal Reserve from purchasing securities directly from commercial banks… they must use their network of **private sector, non-bank entities** *(the primary dealers)* as the middlemen. The Bank of England, however, can deal directly with the commercial banks. But with the financial crisis of 2008, the Bank of England adopted a program of quantitative easing (QE), by doing exactly what the Federal Reserve has always done, buying from ***private sector, non-bank entities.*** Thus, for purposes of explaining QE, we can treat Fed and BoE actions as equivalent.

With that in mind, I'm going to go back to the Bank of England for a moment because, as I said before, they are much more forthcoming in their description of banking.

Here are a few direct quotes that corroborate all the claims I have made thus far.

Remember, ***narrow money*** is the currency they use — ***broad money*** is the currency we use.

What is the point of QE?

> *QE is intended to boost the amount of money in the economy directly by purchasing assets, mainly* ***from non-bank financial companies.***[xvi]

Why purchase from non-bank financial companies?

> *…while asset purchases from banks increase the monetary base (or "narrow money"),* ***purchases from non-banks increase the monetary base and broad money at the same time*** *– Banks gain both new reserves and a corresponding new customer deposit when assets are purchased from non-banks.*[xvii]

How does QE work?

> *If the Bank of England purchases an asset from a non-bank company, it pays for the asset via the seller's bank.* ***It credits the reserve account of the seller's bank with the funds, and the bank credits the account of the seller with a deposit****. This means that while asset purchases from banks increase the monetary base (or 'narrow money'),* ***purchases from non-banks increase the monetary base and broad money at the same time****.*[xviii]

But aren't the extra reserves just free base currency IOUs for the banks?

> ***As a by-product of QE, new central bank reserves are created…. The additional reserves are simply a by-product*** *of this transaction. It is sometimes argued that, because they are assets held by commercial banks that earn interest, these reserves represent 'free money' for banks. While banks do earn interest on the newly created reserves, QE also creates an accompanying liability for the bank in the form of the pension fund's deposit, which the bank will itself typically have to pay interest on. In other words,* ***QE leaves banks with both a new IOU from the central bank but also a new, equally sized IOU to consumers…*** [xix]

But I thought you said that lending creates deposits. Are there any loans here?

> *QE boosts broad money* ***without*** *directly* ***leading*** *to, or requiring, an* ***increase in lending*** *… QE works by* ***circumventing the banking sector****, aiming to increase private sector spending directly.*[xx]

If you're injecting currency directly into the economy, without an offsetting loan to be repaid, won't that lead to inflation?

> *This will further boost nominal spending and should u**ltimately bid up the prices of goods and services leading to higher inflation.***[xxi]

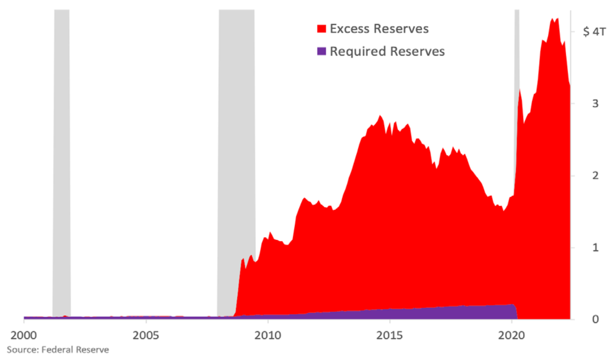
Well, the thought "Be careful what you wish for" comes to mind.

PART 3:

THE $200 BILLION GIFT YOU NEVER INTENDED TO GIVE

RESERVES NOT REQUIRED

Formerly, banks were required to hold a minimum level of reserves against their liabilities. Anything above that was referred to as excess reserves .



In this chart, the purple area is required reserves, the red area is excess reserves. In March 2020, however, the Federal Reserve reduced reserve requirements to zero. That's right, the banks are no longer required to have any reserves whatsoever… and that includes vault cash. The terms "excess" and "required" went away; now everything is simply called "reserves."

By the way, can you squint and see that teensy blip inside the first gray recession bar? That's Alan Greenspan's response to the 9/11 terrorist attacks. That red monster of excess reserves the size of a mountain range is Ben Bernanke's

response to the 2008 global financial crisis and Jerome Powell's reaction to the pandemic. These are ***the additional reserves that are a by-product of QE***. And the way the system is designed they get unintentionally ***stuck*** there.

A RESERVE INFLATION CORRELATION BEYOND THE IMAGINATION

During the four years preceding the global financial crisis of 2008, the total excess reserves of commercial banks typically averaged $1.7 billion (billion with a *B*). In September and December of 2021, bank reserves topped $4.27 trillion (that's trillion with a *T*). It was an inflation of excess reserve IOUs of roughly 2500 times.[xxii]

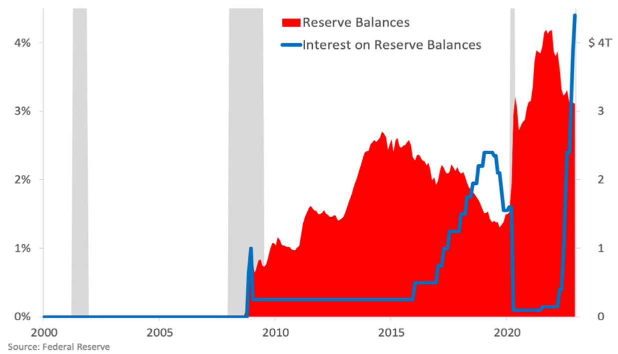
Notice that in the preceding chart, other than the blip and the monster, you can hardly see anything that extends above the line for required reserves. That's because, before 2008, banks didn't like excess reserves. Assets like Treasuries produce an income (yield)… currency does not. So excess reserves just sat there, not making any profit. No bank wanted that. In fact, for the first 94 years of its operation the Federal Reserve did not pay interest to the banks. But then the financial crisis arrived, and in October 2008, Ben Bernanke started paying the commercial banks interest on their base currency IOUs (all of their reserves), for the first time. It's no secret:

> *Beginning in October 2008, the Federal Reserve began paying interest on required and excess reserve balances… beginning in March 2020, required reserves were set to zero and all reserve balances began earning the interest…* -Federal Reserve website[xxiii]

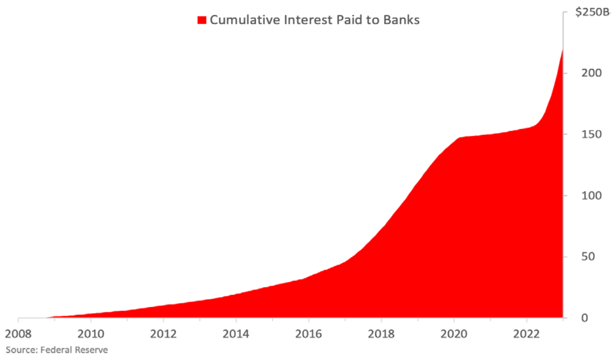
So, whether it's the Fed or the BOE, the goal of QE is to pump newly imagined IOUs into the financial sector, artificially inflating asset prices. The enormous piles of bank reserves are simply a side effect of QE… a byproduct. Something the banks never previously wanted. But Ben Bernanke changed all that. The trillions of dollars of reserves now pay interest, and the banks look upon them as a gift… A gift that keeps on giving… And I'll give you one guess as to who is footing the bill.

THEY'VE GOT A HAND IN YOUR POCKET

Here's the same graph, but I've included the interest rate paid on reserves.



And here is a chart of the cumulative total that has been given to the banks since 2008.



In 2022 the Federal Reserve raised interest rates 7 times in 9 months. As of this writing, the Federal Reserve has paid the banks more than $200 billion… and now it's shooting for the moon!

Payouts are now growing at more than $100 billion per year, and as interest rates continue to rise, the growth of the payments will only accelerate.

But when I saw this, I had to ask myself "where does the Fed get the currency to pay the interest?" They can't just print it… that's against the rules. The Fed has a balance sheet, and the balance sheet must always balance. Assets minus liabilities and capital must always net out to zero.[xxiv] Since every IOU is a liability, it means they must always acquire an offsetting asset for every IOU created. Therefore, central banks can only create currency by acquiring assets.

So once again, where does the Fed get the currency to pay the interest? The answer is that it has to come from the Fed's profits. Where does it get profits? All of the assets that it buys pay interest. What are those assets? Mostly US Treasuries and mortgage-backed securities. Who pays the principal and interest on US Treasuries and mortgage-backed securities? ***YOU!***

When the Treasury issues a bond, it is borrowing currency from the buyer of the bond and promising to pay the buyer back, plus interest. The funds to pay the buyer of the bond come from your taxes.

As noted earlier, a mortgage-backed security is just a bunch of mortgages bundled up together and securitized, then sold to an investor. What gives the mortgage-backed security its value is your mortgage payments.

As I write this, almost 70% of the Federal Reserve's assets are US Treasuries, and 30% of the Fed's assets are mortgage-backed securities.[xxv] Therefore, roughly 70% of the interest that the Fed pays to the banks on their reserves comes from your taxes, and 30% comes from your mortgage payments. (The yields on MBSs and US Treasuries vary, so these percentages are not exact.)

At the end of 2022 the Interest on Reserve Balances (IORB) was 4.4%, and reserves were averaging $3 trillion. Now, I don't care who you are, 4.4% interest on $3 trillion is some serious cash. This gift of free currency to the banks is now $132 billion per year, which is $11 billion per month.[xxvi]

What?!?!?

$11 Billion Per Month! $11 BILLION PER MONTH!!!... FOR FREE?

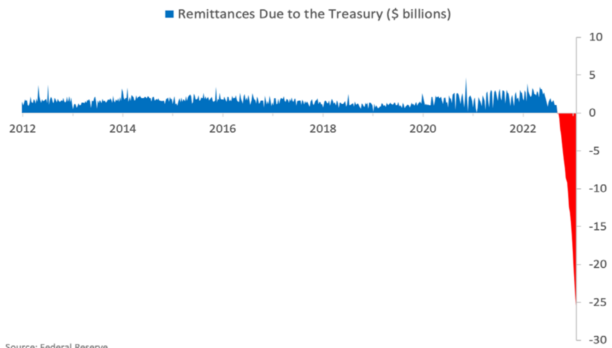
What could you do with an extra $11 billion per month?

Who knows how much it will be by the time you read this, but we do know one thing… it's all coming out of your pocket. And it's even worse than that, because you're going to be paying for it twice... and so are your children.

According to its charter, the Federal Reserve is supposed to first deduct its business expenses, then pay dividends to its stockholders (yes, the Federal Reserve has stockholders, the banks that have accounts there—you're not invited), and then turn over all profits to the United States Treasury to reduce the national debt.[xxvii]

Here is a chart of the Federal Reserve's remittances due to the Treasury. Every week the Fed would pay the treasury a couple billion dollars, but since the

Interest on Reserve Balances exceeded 3% in September 2022, the Federal Reserve started experiencing some significant losses, and now the losses just keep piling up.



Because this gift was paid to the banks and not turned over to the Treasury, it means that our national debt is higher than it should be by the exact amount that the banks have received. So not only did we give all those billions to the banks through taxes due on the bonds that currently exist, but the Treasury had to replace the lost revenue by issuing that same amount of offsetting bonds that you and your children will be paying taxes on for many, many years to come.

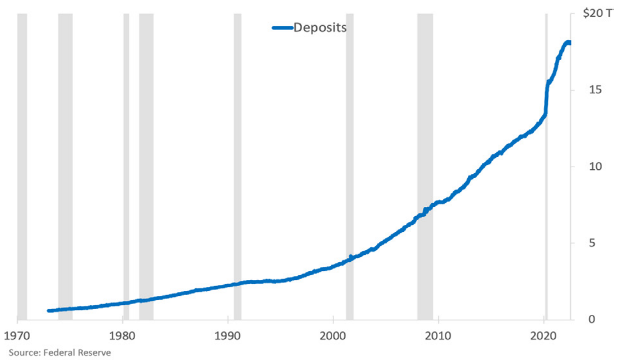
Again… If you are not angry, you're not paying attention.

PART 4

THE $7 TRILLION THEFT

MYSTERY DEPOSITS

My thanks to John Titus, YouTube channel *Best Evidence*, for discovering this. Here is a chart of all deposits at US commercial banks.



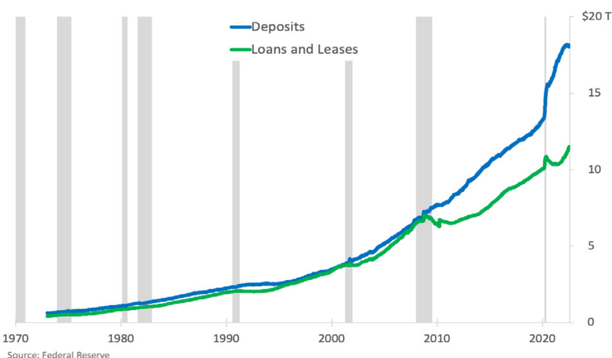
As you can see, other than the flat spots in the early '90s, and just after the 2008 global financial crisis, the rate of growth is pretty constant and predictable… until 2020. With the pandemic lockdowns, the closed businesses, the loss of jobs, and the highest levels of unemployment since the Great Depression—with people having to stay at home and being prevented from earning a living—deposits suddenly soared more than at any time in history… and by a long shot… (whether measured in dollars, or in percent change).

This was caused by two factors: government stimulus payments directly to businesses and individuals; and the fact that everyone who still had a job, had no place to spend their income during the lockdowns. The result was the

post-lockdown retail price inflation. Now they're planning to beat the inflation that *they* caused… by raising interest rates and slowing the economy, which hurts small businesses, families, and individuals.

LEAVE ME A-LOAN

Here is the same chart with bank loans and leases added (some leases, such as leasing a brand-new car, create currency just like loans). We know that loans and leases create deposits, therefore *it is the green line that creates the blue line*. But with the onset of QE in 2008, loans and leases stopped being the primary way in which deposits are created. You can see the *"hole"* that developed. As deposits diverged from loans and leases, something else had to step into the breach to fill the void. What was it?



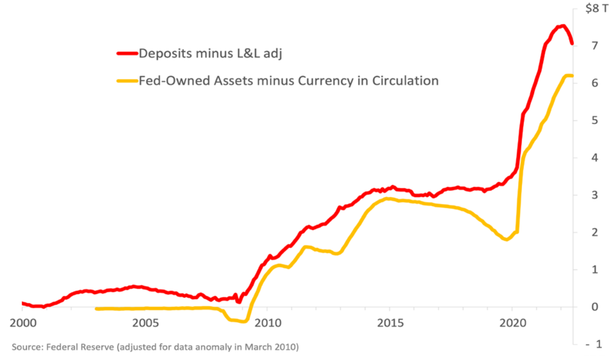
Again, from the Bank of England.

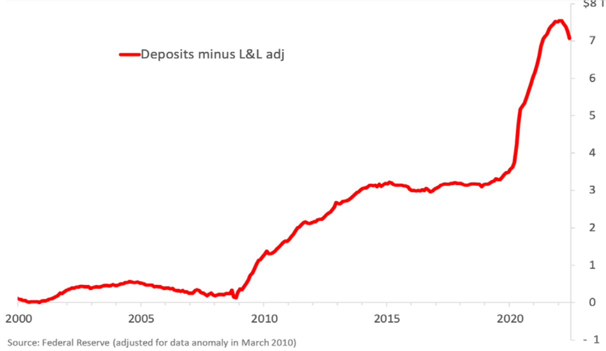
> *QE boosts broad money* ***without*** *directly leading to, or requiring,* ***an increase in lending*** *… QE works* ***by circumventing the banking sector***

(Please note the data supplied by the Federal Reserve has an error in March 2010. This is common and is probably due to a change in methodology. It's either a data error or somebody actually needed a $443 billion (close to ½ trillion dollar) loan from a commercial bank in the last week of March 2010. The data error is high probability, the loan is very, very low probability (if it actually happened, we would've heard about it on the news, because the largest loan in history was $57.1 billion from the IMF to bail out Argentina). Also, unless the borrower took the loan in cash (which would have amounted to 25% of all the currency in circulation) and is keeping the $½ trillion in the closet, deposits would have jumped by the same

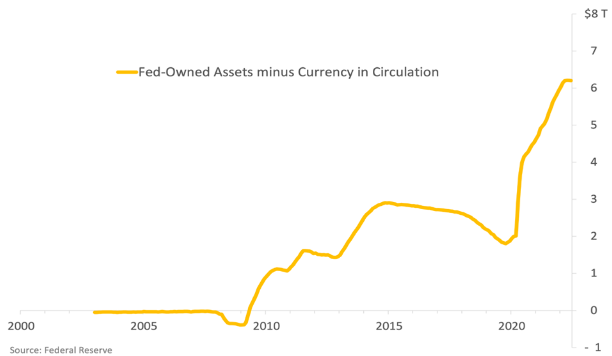
amount as well, but they didn't. So, I have corrected for the obvious error in the following charts.)

A HOLE SHAPED LIKE THE FEDERAL RESERVE





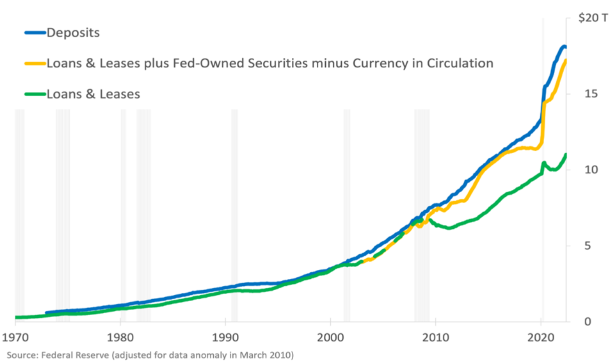
Believe it or not, this chart is a picture of what the hole looks like. We took the deposits, then deducted the loans and leases, and this is what remains… the hole. Again, when we take deposits minus loans and leases, this is what is left over. The gap between loans and leases and the deposits exceeded 7½ trillion dollars in 2021.



This next chart is all of the US Treasuries and mortgage-backed securities (MBSs) that the Federal Reserve owns, minus currency in circulation. The reason I have deducted currency in circulation is because currency in circulation is… in circulation… not on deposit. What's left over are the assets the Fed purchased to create all of the *mystery* deposits. You might say this is a picture of the "shape" of the Fed's QE-IOUs.

Now I've put them both on the same chart. If I was texting this to you, I would have to say "OMG, it truly is a hole shaped like the Federal Reserve." Recall from Chapter 3 that a correlation of -1 means the two items have an opposite relationship, a correlation of zero means they have no discernible relationship, and a correlation of 1 means the relationship is so strong that they're pretty much the same. Well… the hole and the Fed's assets have an astounding correlation of .98867! OMG again! But correlation is not necessarily proof of causation.

Here's the last chart in this series. I've taken the Fed's securities minus currency in circulation and added them to deposits (yellow line). The data on the Fed's securities starts in 2002, and as you can see, it doesn't add much to loans and leases until 2008 (dashed yellow line), but then it almost exactly fills the $7 trillion hole (solid yellow line).



WALL STREET BOOMED, NOW MAIN STREET IS DOOMED

But what does this mean in practical terms? Simple. The green line represents the real economy. It's the loans to the businesses and the mortgaged households of Main Street USA. It's the restaurants, shops, hotels, dry cleaners, contractors, and the working homeowners that create the real goods and services of the economy… the true wealth. The yellow line is currency creation unrelated to production… It's fake wealth.

When the green line grows with the blue line, the economy is healthy. But when there's a divergence like this, it means the economy is deathly ill. This divergence shows massive amounts of currency being created and shunted from Main Street to Wall Street, which has done nothing to *earn* it… and so Wall

Street thrives while Main Street dives—because the inevitable consequence of such a transfer is inflation.

Your knee-jerk reaction may be to blame the rich, but you shouldn't. They may have been the beneficiaries, but for the most part, they didn't even know it was happening. They weren't the magnificent master magicians of monetary misdirection. That dubious "honor" belongs solely to the world's major central banks.

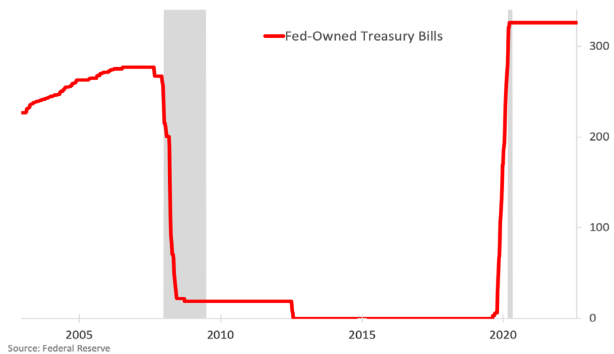
PART 5

AN ECONOMY ON LIFE-SUPPORT AND NOW THEY'RE PULLING THE PLUG

T-BILL TROUBLES

Before 2008, month after month, like clockwork, the Federal Reserve acquired an ever-increasing stock of Treasury bills (short-term Treasuries) through open market operations. This was a big program for the Fed. Before the crisis, T-bills made up more than 30% of the Fed's assets.[xxviii]

But when the '08 crisis struck, they suddenly stopped the program and reduced their T-bill holdings to zero. Then in late 2019 a bank liquidity crisis in something called the "repurchase agreement" market caused them to buy T-bills once more, but this time at a panic pace.



These on-again, off-again actions by the Federal Reserve demonstrate that they do not know what they are doing and they're getting desperate. Before 2008 they used to slowly *Dial* programs up and down, sort of fine-tuning their

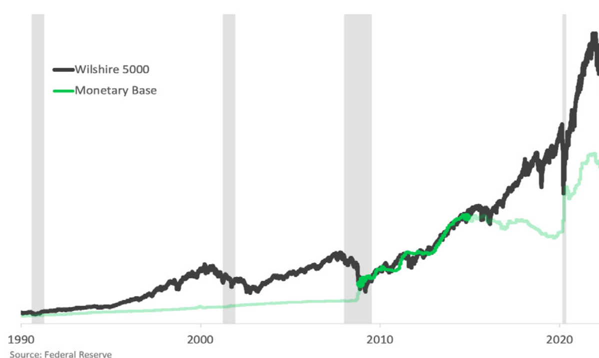
manipulations. Now they're fumbling around in the dark in a panic, flipping programs off and on like light switches, trying anything they can to keep the economy from falling off a cliff. It shows that papering over the crisis of '08 didn't work, it didn't end it… it concealed it and magnified it. From 2010 until 2022, we've been in the eye of the global financial crisis hurricane… the calm before the other half of the storm, so to speak… and now it's getting really windy again.

FINANCIAL FRAUDULENCE 101

For anyone wondering, "how successful was the Federal Reserve in achieving its aims of QE?," look no further than the following series of charts.

Here, instead of using a proxy that shows the performance of the stock market's *price*, I'm going to use an index that measures the value (capitalization) of the companies traded on the stock market, the *Wilshire 5000 Total Market Full Cap Index* (black line).

In this first chart, I've added base currency (green line). As you'll remember, base currency includes the Fed's IOUs that get stuck inside the reserve accounts of the corresponding banks of the primary dealers when the Fed purchases assets through them. That means that the green line is sort of a picture of how many dollars the Federal Reserve pumped into the open market.



I've indexed the two data series to the same value starting on the day Bernanke first announced QE (the first green dot). Once they are indexed, we are looking at the percent change of the two items from their starting point. Note that before '08 there was absolutely no correlation between the stock market and base currency, but during the 6 years of Quantitative Easing 1, 2, and 3

the correlation is nearly perfect. Here we find that when the number of base currency IOUs rose by 10%, the value of the stock market rose by 10%... If base currency went up by another 20%, then the stock market would also rise by 20%.

The correlation from the start of QE 1 to the end of QE 3 (the second green dot) is an astounding .974.[xxix]

However, like I said, correlation is not necessarily proof of causation.

"But wait, look!" you might say. "After QE ended, the base currency supply went *down*, but the stock market kept on going *up*. That meant the economic recovery was real."

Do you recall the $200 billion of interest paid to the banks on reserves? Well, here's something we didn't discuss yet. These are very *high-power* IOUs. It's interest paid on reserves that were a gift. Don't forget, the excess reserves were an unintended, and unwanted, byproduct of QE. They only became wanted when Ben Bernanke decided to pay interest on them, which changed them from a burden to a free gift to the financial firms, funded by the taxpayer. Nobody had to work for these IOUs. The banks didn't need the people, offices, and all sorts of overheads normally related to earning IOUs by working for them. It's pure profit, straight to the bank's bottom line… For free!

These IOUs are paid to the big banks every month… month after month. When the Federal Reserve is doing QE, and pumping cash directly into markets to inflate financial assets, the interest rate on reserves is low. But when the Federal Reserve stops QE, it also raises interest rates. The higher the interest rates, the bigger the windfall of free IOUs. During these periods when the Federal Reserve is talking tough and tightening, it literally rains free IOUs… free fiat currency… free US dollars… directly on the big banks.

For the first seven years after the onset of QE, 2009–2015, the interest paid on reserves was only 0.25%. But from 2016 through 2019 the Fed tapered off their asset purchases and raised interest paid on reserves all the way up to 2.4%. During this period the interest paid to the banks was roughly $170 billion.[xxx]

Just like the rise in the monetary base due to QE, the rise in the amount of interest paid to the banks correlates with the rise in the stock market almost perfectly.

Now, I have to admit something here… not to trick anyone, but we have manipulated the data *visually only*. Because it starts off with interest rates so low, at 0.25%, the change to 2.4% is huge. Because of this, when it is indexed to the stock market the interest paid on reserves shoots right off the top of the chart. Therefore, we have compressed it vertically to make it fit. But none of this really matters because *it's the correlation that counts*, and I'm not the one who calculates it, the spreadsheet does.

The correlation is an incredible .944, for a manipulation success rate of 94.4%.[xxxi] It was slightly less effective than QE because the currency wasn't being pumped directly into the markets. But, making a gift of $170 billion to the biggest financial firms in the world caused their profits to go up… not to mention that they had $170 billion more currency to play with.

But again, correlation is not proof of causation.

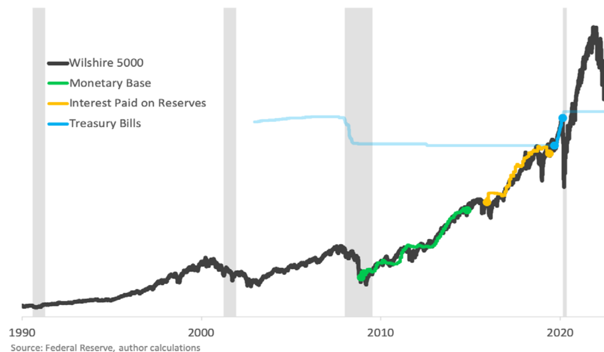
> *Sidenote: Because the Federal Reserve is raising rates, and thereby paying the banks more, and more, and more on their reserves, there is a possibility of a short-term stock market rally after this is published.*

And once again the stock market continued to climb after the Fed policy ended. And just as before, we find another new Fed policy to replace the old one.

In this chart, I've added the Federal Reserve's T-bill purchases.

Wow! The manipulation continues successfully! Notice that the blue line had been entirely flat—at zero or darn close —from 2008 to August 2019.

Once again, we had to visually compress the line to make it fit the chart, because T-bills were at zero in August 2019 and seven months later reached $326 billion. But once again, it's the correlation that counts, and the spreadsheet doesn't lie. At .976 this is the highest correlation in the series, so with this intervention the Fed had a success rate of 97.6%.[xxxii]

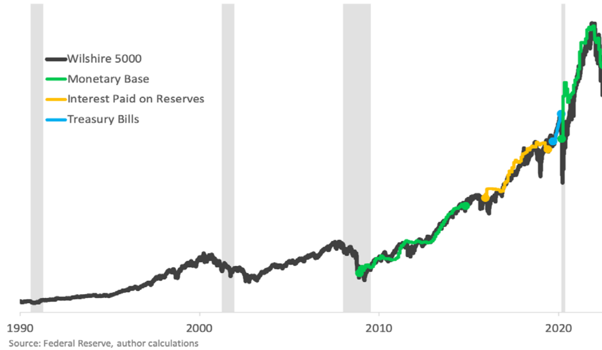


But as you know, correlation is not proof of causation.

In late February of 2020 the stock markets began to slide, and by early March it had turned into the Covid Crash. By March 23, the Pandemic Plunge was over, and the stock market had lost 1/3 of its value. This should have been the beginning of a brutal bear market, but all of the big stock market players have been well trained by the Fed. Even though most of the world would be closed for business for the rest of the year. Even though the lockdowns meant that few were working. Even though most expenditures were for necessities, not niceties. Even though businesses were suffering, the markets began to rally. Once again, the Federal Reserve came to the rescue. Fed chairman Jerome Powell created more currency, and purchased more assets in just two years, than Ben Bernanke had done in six, and in the next 20 months the stock market more than doubled.

That big pop in base currency in March 2020 lowers the correlation because for one month stocks went down while base currency went up, and then for two months stocks rose while base currency fell. This caused the correlation for this last market manipulation in the series to be the lowest, at just .929. However, if you exclude these anomalies and start the measurement from July

2020, the correlation for the next two years rises to .961.[xxxiii]



What does this all add up to? Well, regarding the financial markets and the Federal Reserve…

CONFLATION OF CORRELATION WITH CAUSATION IS WORTH CONSIDERATION

Remember, the highest correlation is 1.

The hole between loans/leases and deposits, and Fed assets filling the gap, correlates to .989.

The rise in base currency during QE1, 2, and 3, and the stock market has a correlation of .974.

Interest paid on reserve balances has a correlation with the stock market of .944.

From August 2020 to the pandemic, T-bill purchases and the stock market correlate to .976.

And QE4 and the stock market correlate to .929 or .961… Depending on how you measure.

So, one last time, as they say… correlation is not proof of causation. *Yeah right*.

With this many economic manipulations that have such extremely high correlations with the rise in the stock market… is there any possibility they are unrelated? As the charts reveal, the rise in the quantity of base currency, plus interest paid to the banks on their reserves, tracks the rise of the value of the stock markets nearly perfectly. Do you really think that's merely a coincidence?

Of course the stock market soared!

The stock market is a patient that has been on artificial life-support since 2008, courtesy of its personal physician, the Federal Reserve. And now Doc Fed thinks he can just pull the plug without the patient dying?

Good luck with that.

WALL STREET GOT THE THRILL... MAIN STREET GOT THE BILL

The world's central banks manipulated the stock markets to create the fantasy of a healthy recovery so that people would gobble up more SUVs and big-screen TVs… without considering the debt that would gobble *them* up later.

The way humans advance is to grow, produce, invent, discover, build, and assemble new wealth. But instead of waiting, and allowing mankind to do those things, the world's central banks decided to *trick* people into *feeling* wealthier. The whole "recovery" after 2008 was FAKE! Nobody worked for those trillions. No new goods or services were created, and thus no true new wealth. The Fed has purchased assets equal to almost 37% of GDP,[xxxiv] gifting the newly created dollars to the world's largest banks and brokerage firms while stealing buying power from all the existing dollars.

But it goes far, far beyond stocks. In 2000 the stock market was in a bubble and crashed. In 2008 it was stocks and real estate that were in bubbles, and both crashed. By the beginning of 2022 it was stocks, real estate, and bonds. It's the *Almost* Everything Bubble but, as you'll see in the next chapter, they're actually hyper-bubbles. I'm pretty sure that the *Almost* Everything Bubble will eventually lead to the *Almost* Everything Bust.

PART 6

REVERSE ROBIN HOODS

The Bankers own the earth. Take it away from them, but leave them the power to create deposits, and with the flick of the pen they will create enough deposits to buy it back again.

–WIDELY ATTRIBUTED TO SIR JOSIAH STAMP, DIRECTOR, BANK OF ENGLAND 1928–1941

The world's central banks are the biggest buyers of assets on the planet… and they do it by counterfeiting. They just type new currency into existence and buy something. But by increasing, and thereby diluting, the global currency supply, the central banks steal wealth from the poor and middle class and bestow it upon the wealthiest people on earth. Sort of like a bunch of reverse Robin Hoods… with the Fraudulent Reserve leading the charge.

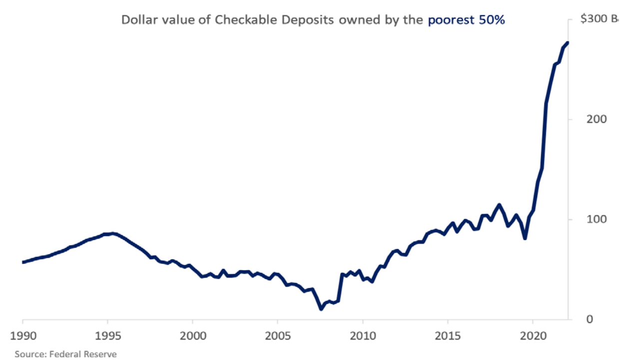
Remember when a billionaire was wealthy beyond imagining? Well, 2018 saw the emergence of the first *centi*-billionaire (someone whose wealth exceeds $100 billion): Jeff Bezos, the founder of Amazon. But just four years later there were 10 centi-billionaires, and 2 *duo*-centi-billionaires (wealth of $200 billion and above).[xxxv] From the time quantitative easing started, to the peak of these companies' stock prices: Netflix rose by a factor of 238 times, Amazon 95 times, Apple 67 times, Microsoft 23 times, and Alphabet (Google) 22 times.[xxxvi] (Tesla was not publicly traded when QE started.)

When it comes to the richest people on the planet, I'm sure that, if quantitative easing and interest on excess reserves had never happened, both the rise in their stocks, and thus their wealth, would have been far, far less than half of what it is today. Jeff and the rest don't know it, but they, and anyone whose net worth is tied to the value of the stock markets, are in possession of stolen property… purchasing power stolen from the poor and middle-class. But it's not their fault. To spare you any suspense, the Fed and the other major central banks are *(once again)* the villains here.

FED UP YET?

The next series of charts comes from the Federal Reserve, and it's the checkable deposits (checking accounts) and currency held by the various wealth percentiles in the US.

This is the bottom 50%. As you can see, their checking account balances are up substantially since the crisis of 2008. The total amount in the checking accounts of the bottom 50% was about $10.5 billion at their low in 2007. As of this writing, it's $276 billion… An increase of 26 times.[xxxvii]

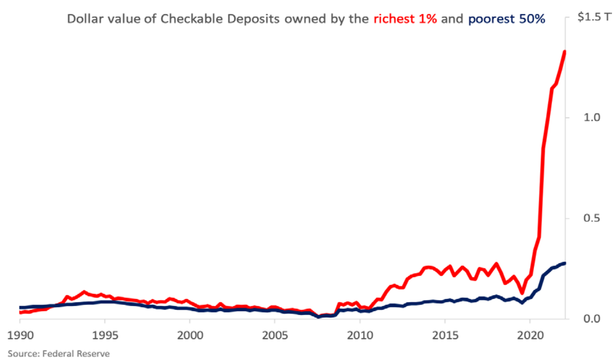


But for the bottom 50%, the explosion in checking account balances that occurred since 2020 was mostly due to people receiving pandemic stimulus checks while simultaneously cutting back on expenditures because of lockdowns and fear. They didn't benefit from the QE-induced boom in the stock market.

I'm sure they feel more secure with a few extra IOUs in their accounts. However, this is also the currency that is driving inflation. If the average person feels safer and more secure… they're going to spend some of those IOUs, and

these are the IOUs that will be spent on groceries and gasoline. They think they're better off, but they're not… and the next chart shows you why.

Believe it or not, this is the same chart, with the richest top 1% cohort added (red line). The balances in their checking accounts hit their low at the same time as the bottom 50% did in 2007. Back then, the top one percent held approximately $12 billion in their checking accounts (only $1.5 billion more than the bottom 50%).[xxxviii]

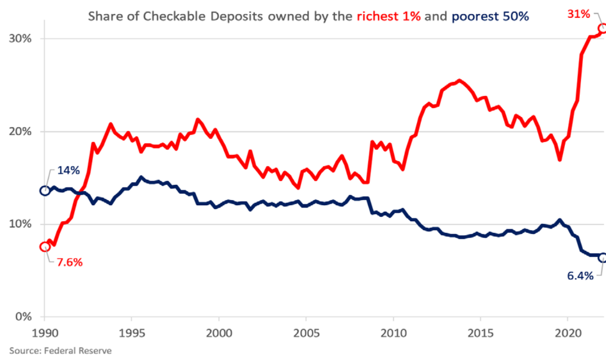


Since then, their accounts have grown to $1.331 trillion… A growth factor of 111 times.[xxxix] Yes, the bottom 50% *feel* richer, but they actually got a tiny little sliver of all of the new currency. The resulting inflation will wipe out any gains they made, and then some. They don't know it yet, but even with all of these new dollars, they're actually going backwards, losing purchasing power.

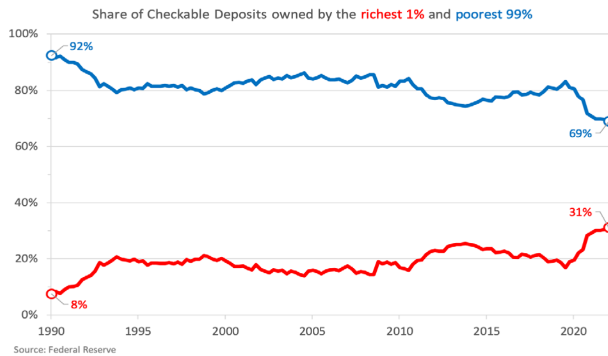
The currency in the checking accounts of the top 1% will also drive inflation, but it will be inflation of a different kind. Even though they may have 111 times more IOUs in their checking accounts, they are not going to buy 111 times more groceries and gasoline.

However, this currency will go somewhere, and if stocks, bonds, real estate, and the value of their currency are all crashing, then these IOUs are going to seek anything their holders think is not in a bubble, and stores value. So, what is the next thing to inflate into a big, gigantic bubble? Well, my guess is that it's going to be safe haven assets that are currently undervalued. Assets such as gold and silver.

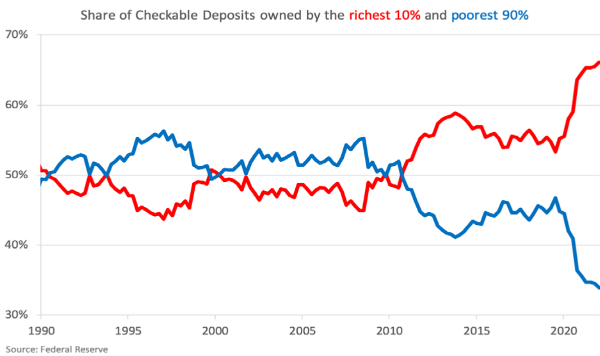
This chart is the percentage share of checkable deposits held by the top 1% and the bottom 50%. As you can see, since 1990 the bottom 50%'s share has fallen by more than half, from 14% to 6.4%. While at the same time the share owned by the richest 1% went from 7.6% to 31%… Almost 1/3 of all deposits belong to one percent of the population.[xl] But that's just the top 1% and the bottom 50%, what about everyone else?



This chart includes everyone. The red line is the richest 1%, and the blue line is everyone else.



Now, here's the top 10% (Red line), and the bottom 90% (blue line). It's interesting that, up until QE, the bottom 90% was on top (owning more than 50%), and the top 10% below (owning less than 50%). But since QE they've switched positions, and now the top 10% own 2/3 of the deposits, while the bottom 90% own just the remaining 1/3.[xli]



At the beginning of this chapter, I promised to expose the wealth disparity that appears to be tearing society apart at the seams. Well… That last chart is a picture of it… Take a good look. I hope, now that you've read this chapter, you know exactly how and why it happened.

Should we blame the rich, as so many vote-grubbing politicians encourage us to do? No. They didn't steal anything. In fact, it's just the opposite. They are the people who start businesses and make the products and services we buy. They create jobs and shoulder incredible burdens and pressures running those businesses. These are the people who create most of the prosperity in our society. Without them, there wouldn't be much of an economy, so don't demonize them. It's not their fault… They didn't do this, the Fed did it.

Ben Bernanke is the one who got us to this point. Read his 2002 speech titled, *Deflation: Making Sure it Doesn't Happen Here.* Everything the Federal Reserve has done in response to the 2008 global financial crisis and the pandemic was laid out in that 2002 speech.

I believe that someday in the future, after the next big financial crisis, historians will look back in both bewilderment and awe, at the irony that the man whose ideas caused the crash of the global economy, was the same man who won the Nobel prize in economics—*for those same ideas*—way back in 2022.

A PICTURE OF ENVY, HATRED, AND INTOLERANCE

The crime I've shown you is the root cause of the envy, hatred, intolerance, and division we have seen explode in America over the past decade. It is the underlying pressure on society that has unleashed things like civil unrest and a division between left and right such as I have never seen in my lifetime. And, ominously, the backlash against this chaos has given rise to the re-emergence of the most dangerous thing of all. Something that threatens not only your freedom, but your very survival as well. It's the growing support for an idea that has caused more pain, suffering, and death than any other idea in history… It's the growth of belief in, and support for, Socialism.

Ominously, polls show that about half of Gen Z adults in the US (aged 18-34) have positive views of socialism and negative views of capitalism.

Yet there is a direct, provable relationship between wealth, health, and happiness. Economic freedom creates economic prosperity (wealth), and prosperity creates a happier and healthier population. People in the most economically free countries live almost 15 years longer than those in the least economically free.[xlii] Socialist societies, dictatorships, oligarchies, and politically corrupt societies have all languished economically. Think of the literally billions of people who lived and died under these oppressive ideologies over the past century, and whose lives were shortened by 10, 15, or 20 years because of it.

The Federal Reserve, the Bank of England, the European Central Bank, and the Bank of Japan, have all implemented policies of major quantitative easing. This chapter has covered only the wealth transfer in the United States, but it is the same for much of the first world. And it's all, 100%, the fault of central banks and the creation of currency from future debt and the enslavement of the population, which has caused the wealth disparity responsible for the socialistic backlash.

Thus, the big question is: *Will your life, and the lives of your children, be shortened by the backlash to the economic policies of the world's major central banks?* If Socialism wins, then according to the data, I can almost guarantee it. But if individualism, freedom, and liberty win, then your future, and that of your children, should be very bright.

WHO THE CULPRITS ARE AND THE SCALE OF THE HEIST

To summarize, the culprits are the world's central banks, pure and simple. As for the scale of the heist, because Federal Reserve data is so readily available and easy to come by, I have only analyzed the size of the robbery in the US… And it's $7 trillion… about 1/3 the size of the M2 currency supply of the United States of America. I'll leave it up to others to analyze the BOE, the European Central bank (ECB), and the Bank of Japan (BOJ).

When plunder becomes a way of life for a group of men in a society, over the course of time they create for themselves a legal system that authorizes it and a moral code that glorifies it.

–FRÉDÉRIC BASTIAT[XLIII]

As for the beneficiaries? As you'll see in the next chapter, the ultralow interest rates set by these central banks have probably pushed residential real estate in much of the world to levels 50% to 100% higher than they would have been in a normal interest rate environment. The stimulus and economic manipulation you've seen in this chapter has probably pushed stock markets to multiples of where they should actually be.

To summarize, central banks (the robbers) have enriched themselves and their beneficiaries (major stock investors) by stealing from the following victims:

1. Everyone who holds currency in their bank account, wallet, purse, pocket, or pension.

2. Everyone who pays Federal taxes.

3. Everyone who makes payments on a mortgage, auto loan, or any other kind of loan.

Are you on the list above? Are you on it *more than once?*

This entire chapter all leads to a very big quandary. Central bankers are supposed to be some pretty smart people. They're a bunch of Ph.D. economists. If they don't understand the wealth transfer they are causing, then they are incompetent and do not belong in their jobs. But if they do understand the theft, then they are immoral and belong in jail. Which do you think?

The decrease in purchasing power incurred by holders of money, due to inflation, imparts gains to the issuers of money… .

–ST. LOUIS FEDERAL RESERVE REVIEW, NOV. 1975T[XLIV]

PART 7

THE NEW SLAVERY

> *…if you want to continue to be slaves of the banks and pay the cost of your own slavery, then let bankers continue to create money and control credit*
>
> –WIDELY ATTRIBUTED TO SIR JOSIAH STAMP, DIRECTOR OF THE BANK OF ENGLAND 1928-1941

This, our modern monetary system, is the source of all the great income inequality and wealth disparity we see today. It steals from the poor to give to the rich every second of every day of our lives.

But we don't need more taxes, laws, rules, regulations, and other Band-Aids to fix this problem. That assortment of legal complexity and burdens would just slow the economy even further and make things worse. The way out is simple: All we need to do is address the root cause… currency creation from debt. Buying something with something is moral, buying something with nothing is not.

Both the central banks and the commercial banks are allowed to commit this immoral act, which transfers wealth from the holders of existing currency to the creators and first spenders of the new currency.

I'm not saying that debt, *per se*, is immoral. Loaning something and then expecting to be paid back something is moral. But loaning *nothing* and compelling others to give something back is immoral. Currency creation from

debt is immoral, it's fraud, it's theft, and it enslaves the multitudes to benefit just the few.

When central banks steal purchasing power from the common man, and then transfer it to the elites, the common man must then work more—not to increase his wealth, but simply to replace the stolen purchasing power. If you are forced to work for the benefit of another, with no compensation, that is enslavement.

Until we address this root cause… income inequality and wealth disparity will only accelerate.

> *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**[XLV]

If I may, just a small addition, my dear Count Tolstoy. It's not money that enslaves, it's debt-based, fiat currency that enslaves. Real money liberates.

What I've tried to do in this chapter is to document beyond doubt the serious consequences of our misguided monetary policy of the past century—but especially since 2008. I've relied on hard data that is publicly available, not theory.

Since the past is so often prologue, I cannot help but issue dire warnings about what will happen in the coming years, yet I remain an incurable optimist who believes that human ingenuity and creativity can overcome the most difficult obstacles. We stand on the threshold of technological revolutions that are poised to transform all of our lives for the better.

One final note: this chapter contains some concepts that are hard to grasp. But it is super important to understand, so it's worth re-reading until you feel you get it. Once you do, the rest of this book will be easy to follow, and the reasons for the inevitability of the Great Gold and Silver Rush of the

21st Century—and the pathway to protecting yourself, your wealth and your family—will become evident.

This is the end of the "online-only" chapters. Check back at GGSR21.com for updates. Thank you for reading and sharing this chapter, and please, email it to anyone you can. Thanks.

Next: ▶

Just like a bug in search of a windshield…
Today we have bubbles in search of a pin.

ENDNOTES

i https://fred.stlouisfed.org/series/FYFSD

ii https://fred.stlouisfed.org/series/TCMDO -minus- https://fred.stlouisfed.org/series/ GFDEBTN

iii https://www.bis.org/review/r101028a.pdf

iv Bank of England, quarterly bulletin, Q1 2014, Money Creation in the Modern Economy, P 15.

v Ibid

vi Bank of England, quarterly bulletin, Q1 2014, money creation in the modern economy, P 16

vii Ibid

viii The Fed Explained: What the Central Bank Does, P36 (https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf)

ix https://www.federalreserve.gov/releases/h41/20220818/default.htm

x https://www.newyorkfed.org/markets/primarydealers.html

xi https://home.treasury.gov/policy-issues/financing-the-government/quarterly-refunding/primary-dealers

xii Ibid

xiii The Fed Explained: What the Central Bank Does, P37 (https://www.federalreserve.gov/aboutthefed/files/the-fed-explained.pdf

xiv In the 1951 sci-fi film "The Day the Earth Stood Still", a peaceful alien named Klaatu (played by Michael Rennie) instructs Helen Benson (played by Patricia Neal) to go to the robot Gort and say "Gort, Klaatu barada nikto." In response Gort does not destroy the Earth.

xv https://www.federalreserve.gov/monetarypolicy/openmarket.htm

xvi Bank of England, Money Creation in the Modern Economy.

xvii Bank of England, Quantitative Easing

xviii Bank of England, quarterly bulletin, Q2 2009

xix Bank of England, quarterly bulletin, Q1 2014, Money Creation in the Modern Economy

xx Ibid

xxi Bank of England, quarterly bulletin, Q2 2009.

xxii https://fred.stlouisfed.org/series/EXCRESNS and https://fred.stlouisfed.org/series/TOTRESNS

xxiii https://www.federalreserve.gov/monetarypolicy/iorb-faqs.htm

xxiv https://www.sdmunicipalleague.org/vertical/Sites/%7B2540DC39-A742-459F-8CAF-7839ECF21E89%7D/uploads/Basic_Accounting.pdf

xxv https://www.federalreserve.gov/releases/h41/20220818/default.htm

xxvi Ibid

xxvii https://www.federalreserve.gov/aboutthefed/section7.htm

xxviii https://www.federalreserve.gov/releases/h41/20070823/default.htm

xxix https://fred.stlouisfed.org/series/AMBNS, https://fred.stlouisfed.org/series/BOGMBASE, and https://fred.stlouisfed.org/series/WILL5000INDFC

xxx https://fred.stlouisfed.org/series/IOER, https://fred.stlouisfed.org/series/IORB, https://fred.stlouisfed.org/series/EXCSRESNW, https://fred.stlouisfed.org/series/TOTRESNS

xxxi Ibid, and https://fred.stlouisfed.org/series/WILL5000INDFC
xxxii https://fred.stlouisfed.org/series/WSHOBL and https://fred.stlouisfed.org/series/WILL5000INDFC
xxxiii https://fred.stlouisfed.org/series/AMBNS, https://fred.stlouisfed.org/series/BOGMBASE, and https://fred.stlouisfed.org/series/WILL5000INDFC
xxxiv https://fred.stlouisfed.org/series/WALCL and https://fred.stlouisfed.org/series/GDP
xxxv https://www.forbes.com/real-time-billionaires/#1c4eee743d78
xxxvi https://stockcharts.com/ (intraday low 11-25-2008 to all-time intraday high)
xxxvii https://fred.stlouisfed.org/series/WFRBLB50086
xxxviii https://fred.stlouisfed.org/series/WFRBLT01005
xxxix Ibid
xl https://fred.stlouisfed.org/series/WFRBLB50086 and https://fred.stlouisfed.org/series/WFRBLT01005
xli https://fred.stlouisfed.org/series/WFRBLB50086, https://fred.stlouisfed.org/series/WFRBLN40059, https://fred.stlouisfed.org/series/WFRBLN09032, and https://fred.stlouisfed.org/series/WFRBLT01005
xlii https://www.fraserinstitute.org/sites/default/files/economic-freedom-of-the-world-2022.pdf
xliii https://quotepark.com/quotes/1074158-frederic-bastiat-when-plunder-becomes-a-way-of-life-for-a-group-of/
xliv https://files.stlouisfed.org/files/htdocs/publications/review/75/02/Financing_Feb1975.pdf - p22
xlv https://yoice.net/en/leo-tolstoy-money-is-a-new-form-of-slavery/