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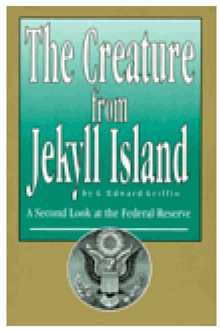
G. Edward Griffin



The Creature from Jekyll Island

A Second Look at the Federal Reserve

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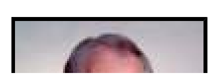
JIM: You hear a lot of talk about the Federal Reserve today: "the Fed is supposed to be an inflation fighting institution." In fact, much of today's headlines about interest rates and Fed comments are that the Fed is concerned about inflation, and the Fed is a stabilizing influence in our economy. My next guest doesn't believe that's the case.

Joining me on the program is G. Edward Griffin, he's a writer and documentary film producer with many successful titles to his credit. He is well known for his talent for researching difficult topics, and presenting them in clear terms that all can understand. He has dealt with such diverse subjects archaeology, ancient earth history, the Federal Reserve System, and the international banking system. We're here to talk about his book today, *The Creature from Jekyll Island*.

Mr. Griffin, when investors or citizens hear stories about the Fed – like the Fed met today, they left interest rates but one Fed governor is concerned about inflation – it usually portrays the Fed as an inflation fighting organization, when in fact it is really an inflation-creating institution. Doesn't this create a problem of perception?

The Federal Reserve - An Inflation-Creating Institution

G. EDWARD GRIFFIN: Yes, I think that's the understatement of the century, Jim. It's a



problem of perception; it's a problem of reality. You see the problem is that people do not understand what the Federal Reserve system is. It's not really their fault – I mean you're not born with this information; and you either get it in school, or through the media or something like that. Well, the truth of the matter is that the Federal Reserve system is a cartel. That's kind of a shocking statement for most people – a cartel. If somebody had told me that, let's say 10 years ago, I would have thought they were kind of off their rocker. But the fact of the matter is the Federal Reserve System is a cartel, no different than a sugar cartel, or an oil cartel, or a banana cartel – this happens to be a banking cartel. And they have gone into partnership with the Federal government to enforce their cartel agreements. Now, that's the hard reality.

We'll come back to this topic I suppose shortly here, and illustrate how this is so, but just assuming for the moment that this is so, and if you're the head of a cartel – a banking cartel in this case – and you had to go before the public or Congress and justify your moves, you have to make it sound as though it's in the interests of the public, otherwise the public would not go along with it. What would happen, for example, if the Federal Reserve Chairman were to make a speech and he said, "well, we raised the interest rates today because we wanted to improve the profit picture of our member banks." Now, that wouldn't go over too well. So they always have to say, "we raised or lowered interest rates" – or whatever they're going to do, because they're concerned about inflation, or they're concerned about employment or unemployment; they're concerned about world factors. In other words, you see, they're concerned about *you* folks – and that makes it all very good. And that's the game that goes on, Jim. And so they have to make it sound as though all of these machinations are being done somehow in the interests of the general public. [3:51]

JIM: Now, Ed, in your book there's an exchange published in Britain's *Punch* magazine going back to 1957. You featured it in the beginning of your book as an appropriate mental exercise to limber the mind for the material in the book. For example, it starts out with a question: "what are banks for?" – answer: "To make money." Question: "For the customers?" – "No, for the banks." – "Why doesn't bank advertising mention this?" – "It would not be in good taste."

Why don't we limber our listeners minds as we begin this process.

The Truth About Banks and Their Partnership with The Fed

EDWARD: Well, I think that quotation from *Punch* is certainly a classic, isn't it? People really have a funny opinion about banks. They think somehow they're great conservative institutions – after all, they have a lot of money and they spend some of it decorating their bank buildings in a very serious décor; bankers usually dress well, they wear suits and ties, and they have serious expressions on their faces. So we get the impression bankers are very conservative, solid, conscientious human beings, when in fact – when you really look at what banking is as it's practiced today – it's one of the greatest scams of all history. And the putting on of this appearance of great seriousness is part of the mechanism by means of which they make the scam possible.

Now, when I say scam, let's get down to nitty-gritties here, Jim. We're talking about the fact that the banks create money out of nothing, and then they collect interest on it. Now that's the basic scam. When a bank loans you money that money doesn't exist prior to your walking into the bank. He has the authority of law – a moment ago, I said the Federal Reserve System went into partnership with the Federal government, so the government is their partner, and so the government has written laws to make this scam quite legal, that banks can do things now that were you and I to do them we'd go to jail. But the banks can do them because they have their partner in government that says, "Ok, the banks, and only the banks, can do this." And one of those things is that the banks can lend money that they don't have, and they can collect interest on it. And that's how money comes into creation in the United States and most of the Western world.

Let me give you an example. I mentioned that the cartel is a partnership between the banks and the Federal government. Now, when people form a partnership it's usually because each party has something to gain, otherwise they wouldn't do it. So the question is: why did the banks go into this partnership, and why did the Federal government go into the partnership? So the answer to both questions is this mechanism that I'm just describing here – this mechanism by which money is created literally out of nothing – and that benefits each of these partners in different ways.

Here's how it works. Let's start with the government side of the partnership. Let's say that the government needs to have much, much more money to spend than it is taking in in taxes – and of course, that's the common reality today. Politicians like to spend money because the more they spend for benefits, for the voters, the more votes they get; but they don't like to raise taxes because the more taxes they raise the fewer votes they get. So the politician is always struggling to find ways to spend money but not get it from the tax payer through taxes. Well, how do you do that, how can you spend more money than you take in? The answer is very simple: you borrow it. Well, that's the same with you and I – if we want to spend beyond our income, if we have some credit we can go to the bank and borrow money. Well, that works for a while but sooner or later the loan has to be paid back plus interest. And so, you and I can do that only for very short periods of time, and for limited amounts of money. But in the case of the Federal government, it's unlimited amounts of time and unlimited amounts of money.

So here's how it goes. Let's say the Federal government wants to borrow some money, more than it's taking in in taxes. So the first thing it does is it goes to the open market, and it offers to borrow the money from individuals like you or me, or from institutions, corporations, other countries and so forth. Peope loan money to the Federal government in return for bonds or Treasury notes, or bills, depending on the length of time the loan has to be repaid. So now the government has more money than it takes in in taxes. Now, just like you and I, however, the time comes when that money has to be paid back, plus interest. Lo and behold, when that happens they still don't have enough money to pay for what they want to do through taxes. So now, they have to go and borrow some more money to cover the original loan plus the interest that's due. And this process goes on, over and over and over again, and we have this phenomenon called the rising national debt – it just goes on forever. There is no limit to what the politicians are seemingly able to borrow.

Now, the money that comes from the private sector – you and me and savings institutions, retirement plans, other countries, and so forth – that money is already inexistence but there's never enough of that. They need more – the government needs more than what they can get from people who already have money to lend to them. And so now, the spillover comes when they want more than they can get that way they go now to the Federal Reserve System. And by prior agreement, the Federal Reserve will create whatever amount of money is necessary at that point, and appear to lend it to them. I say appear to lend it to them because what they're really doing is they're creating it for the Federal government, but they call it a loan, when in reality it's not a loan it's a service: they're creating money out of nothing for the Federal government.

So the Treasury official goes to the Federal Reserve and says: "Ok, I need another billion dollars today. We didn't take enough in taxes to cover this, and not enough people in the private sector loaned us the extra money, so we need more money. We need another billion dollars, please." And the Federal Reserve says, "Ok, here it is." And the Chairman of the Federal Reserve writes him a check – of course, that's figuratively speaking, it's all done by computer, but let's just imagine the Chairman of the Fed writes a check to the Federal government for a billion dollars. The government now has that check, deposits it into its own checking account, and begins to write drafts against it. And this money that was given to the Federal Reserve did not exist before that point. It was created completely out of thin air, just the same as if the Federal government had gone to the printing presses and printed it. But in this case they didn't, they went to the banks and got a loan of money that didn't exist before.

And it gets so complicated that people don't understand it, so they think somehow it's wrapped up with the banking system, therefore the money must have existed prior to that when in reality it did not. So that's how money comes into existence for the government. They can always rely on their partner in the Federal Reserve to create whatever amount may be necessary for them, so they don't even have to go to the private sector to borrow it. It's just guaranteed to be available anytime. Now, that's why the government's into this arrangement. You could see the advantage there. But this is really the tip of the iceberg. If we just stop there as many observers do, "my, isn't that terrible, that they create money out of nothing for the government and the government pays interest on nothing," that's child's play compared to the real story.

Now, I'm going to cover the next part. That takes care of the government, why are the banks in this thing? Well, lets follow that money, that was created out of nothing for the government and see where it goes. It goes into the private banking system. Let's take $1000, for example, that has been paid to a postal worker who delivers our mail. He's working for the Federal government. Now, he's got $1000 in a pay check that came out of that billion dollars that was created out of nothing and presented to the Federal government. So now we're just going to trace a thousand dollars of it that comes to the postal worker. He's got a paycheck now, he doesn't imagine that that money didn't exist a moment ago or yesterday, and he doesn't care, it looks like a good check to him – banks will accept it, everybody will cash it. So he takes it down to his local bank at the end of the street there and deposits it into his private checking account. Now things speed up. The money is out of the Federal Reserve government context and goes into the commercial banking system as a deposit.

Now if I were a president of that particular bank that got that deposit, I could in a sense go to the people out there in the bank lobby and say: "Attention, everybody, I have some good news. This gentleman here just deposited a thousand dollars into our venerable bank." And that's good news, because a lot of people in the bank are there to borrow money, so they know when the bank has money to loan that usually means lower interest rates and everybody's happy. So somebody might ask me, "well, how much did this person deposit?"

And I would say, "he deposited $1000."

And then this person would say: "Well, that's not enough, I want to borrow $9,000 on this car I'm looking at, and $1000 isn't going to cut it."

And I would have to say just like this article from *Punch* when he's talking to the depositor in the bank, "don't worry about it, this banking business is more complicated than you can possibly imagine. We can lend you the $9,000, even though we only had $1000 deposited."

And if anybody asks how is that possible, the answer is: "don't worry about it, it's possible, it's legal, we can do it. We create the extra $9,000 out of thin air. The $1000 is deposited and we can create up to $9,000 on every $1000 that's put into our bank."

And that money literally comes out of thin air, at the time the loan is made. That means for every billion dollars that's created out of nothing for the Federal government to spend, an additional $9 billion is created by the private banking system out of nothing to loan to people like you and me and corporations and so forth. Now, we use that money for our purposes – the bank doesn't benefit from that money, they loan it to us. But we pay the bank interest on that money just as though it was real money that existed that somebody was sacrificing to make available to us as a loan. We really think we're borrowing money that somebody has put into the bank on deposit, and the interest rate is justified because we have to pay that person for the sacrifice he made of making that money available to us, when in fact the money was created out of nothing. And so we are paying interest on nothing. Now that is the scam that I'm talking about. That is how all of our money comes into existence, not only in the United States but in the entire Western world. And if that isn't a scam, I can't imagine what would be. [16:26]

A Legalized Cartel?

JIM: Well, let's go back to the beginning when the Fed was created, because what I find rather interesting in this period of time was around the turn of the century you had a lot of negative sentiment against monopolies, cartels, the oil trusts and the money trusts. Theodore Roosevelt's Administration was moving against the big oil trusts such as Standard Oil. How did the money trusts manage to create a monopoly for itself, in a period when government was moving against monopolies? In essence, what was created here was a legalized cartel. So how did that originate in a period when they were moving against such trusts? – that's their genius I think

EDWARD: Well, that is their genius, and it's a device that we have seen used over and over again – not just in banking, but in every sphere of economic activity. And the answer to that question is that the government is not moving against these monopolies, it's just that they appear to be moving against these monopolies. And it's a sleight of hand trick, I mean it's a magician's trick, they simply appear to be doing something when in reality they are doing something else. As I mentioned before if the Chairman of the Federal Reserve were to say, "well, we are taking this measure today in order to improve our profit picture," then the public would be very angry and very alert to the situation, and demand some changes be made. But if the Chairman can say, "we're concerned about inflation and therefore we're increasing interest rates," then everybody goes back to sleep.

So what happened at the turn of the century is that there was a public outcry against the concentration of political – of *economic* power, I should say, and also that was a Freudian slip, it certainly included political power but the public didn't know that. The public was concerned about the concentration of economic power in the hands of a few very large investment firms and banking firms on Wall Street. And so they were demanding that their elected representatives pass legislation which would curtail that power and make sure it was limited on behalf of the best interests of the people.

So the people who were running the banking system, and who had very powerful influence in Washington DC, decided that if this is what the public wanted that they would get at the head of the parade, and they started calling for it. And they made sure that their people were the ones who drafted the legislation that was offered to the public as the solution. So what we had is a very interesting thing in which the people who created the problem were called upon to write the legislation to solve the problem. And they told the American people that's what they were doing when in reality they were writing legislation to continue the problem, and to consolidate their power in the future.

That is the reason that the Federal Reserve Act was written on Jekyll Island; and that's the reason I named my book *The Creature From Jekyll Island*, is because the Federal Reserve Act was not drafted in the halls of Congress, it was drafted in secret on this private island off the coast of Georgia which was completely owned in those days – it was a private club actually called the Jekyll Island club – by a small group of billionaires from New York: people like JP Morgan, and William Rockefeller, and their business associates. And so the banking fraternity went to Jekyll Island, to this very private club, and for 7 days they sat around a table there in private – smoked a lot of cigars I'm sure and drank some good whiskey – and drafted the Federal Reserve Act.

And for years later they denied that they had ever been to Jekyll Island to do such a thing, and of course later it all came out. It's a matter of well documented history now, but they denied it. They didn't want people to know that the legislation which was being offered to break the grip of the money trusts, which was the phrase they used in those days, the didn't want the people to know the legislation to break the grip of the money trusts was written by the money trust. Obviously, if the public had known that then the scam would have been out in the open and the legislation never would have passed. [21:08]

What About Secrecy?

JIM: One of the things that you talk about in the book, all of this secrecy at Jekyll Island, as you just referred to, even today there's a bit of secrecy associated with the Fed moves. But prior to the Fed's existence, banks had to exercise prudence and caution in their lending in case of a bank run if they were considered unsound. With the passage of the Federal Reserve Act creating the Fed, it was no longer necessary for banks to practice caution; and what we have now, or seen created since the Fed, they've gotten more reckless. I mean what do you have to worry about if you're guaranteed a bailout.

EDWARD: Exactly, and that's one of the reasons that these people said that they were meeting on Jekyll Island – in secret. One of the objectives they had for the creation of the Federal Reserve System was to create a structure which would have a hand in the public purse, so that when the banks got into trouble they would be able to draw upon tax payers' support to bail them out, and they would do so under the banner of protecting the public. It's a very clever ploy.

But you know, whenever let's say some of these banks make outrageous loans to Third World countries that they know that those countries are not going to repay, they know that there's no capacity in that little country to repay these gigantic loans, but they loan it anyway. Why do they do that? They do it because they know when the time finally comes to fish or cut bait, Congress will vote to pay the loans for those countries. They'll come to the taxpayer and say, "you know, if Mexico can't pay its loans to the banks, why there could be a great economic collapse there. In fact, that country may even turn communist, or something like that. And we don't want a hostile country on our borders. So it's in the best interests of the United States, it's in the best interests of you folks, the American taxpayers, to dig in a little deeper and cover the debts for the banks so we can keep these loans going." They have done this so many times that it's amazing.

But even when the loans are not to Third World countries, but to large corporations inside the United States like Chrysler or Penn Central, or some huge corporation or even New York City, and these enterprises can no longer keep paying their interest to the banks, then the banks go to their partners in Congress and say, you know: “We’ve got to have taxpayers cover this debt to keep those payments coming because, you know, we don’t want Chrysler to go out of business. Look at all the people that would be put out of work, and no income coming for those families, babies wouldn’t have milk, it would be terrible.” The story goes on and on. “So we’ve got to have the taxpayer put up the money, guarantee the loan, make sure the banks don’t suffer for making the bad loan in the first place, and we’ll do it all in the name of protecting you folks.” [24:17]

Is The Fed a Stabilizer?

JIM: Ed, I began this interview with this myth that the Fed is an inflation -ighting institution. Another myth is the Fed was created to stabilize our economy. Looking at history, it sprang from the bank panic of 1907. However, since its inception we have seen more frequent recessions, a depression, stock market crashes and more importantly, and I think this is a key for listeners to understand, the dollar has lost over 90% of its purchasing power.

EDWARD: Well, yes, that is the inevitable consequences of creating money out of nothing. And the people that created this mechanism in the first place knew that that was going to happen; and they had to sell it to the American people anyway, so they didn’t tell the American people that’s what would happen. They told them, “yup, it’s for you folks, we’re going to put into position an institution that will guard against inflation, protect the economy,” knowing all the time that they were lying through their teeth; that they were going to fatten their own pockets at the expense of the taxpayer. And these people still know that that process is going on and they still lie through their teeth to the American people. [25:33]

JIM: Another critical factor here to understand when viewing our present financial system is all money in the system, as you have pointed out, has been created out of nothing. So when a bank loses money, it costs the bank little of anything tangible. The key here to survival is to avoid large write-offs where bad loans exceed the equity.

EDWARD: Well, that’s it, exactly – because they can write down the loans a little bit. In fact, I’m sure that many of these loans that they make in the beginning are in anticipation that there will be some writedowns along the line – that’s just common business practice. But the end game however is not just writing it down and extending it and rolling it over and keeping it going, it’s actually getting the bailout from the taxpayers. But I think people need to realize that banks really don’t want you to pay back their loan. They don’t make any money when you off the loan; they make money only when you pay interest on the loan – that’s where the income stream comes from. So they’d be just as happy as can be if you just rolled over your loan and paid interest only every month, which is of course what’s happening increasingly in the mortgage market today. That’s very much to the banks’ benefit, because that just means you keep sending them money every month forever, and that’s all they care about is getting that free money forever. Even though it was created out of nothing in the beginning it comes back to them and it has purchasing power – dwindling purchasing power – but in the meantime they’ve got it and you don’t. So the banks need the loans and they will do anything to perpetuate the loan. They can write it down, roll it over, get it paid off by the taxpayer, but they must keep those loans going. [27:22]

JIM: Well, let’s go beyond the scope of the United States, let’s go back to the creation of the Bretton Woods system towards the end of World War II. The concept as it was put forth was to facilitate international trade and stabilize exchange rates. The unannounced goals, Ed, as you point out in your book, were much different. Explain the difference between the public goals and the undisclosed goals.

EDWARD: Well, there were a lot of goals going on at that time. The main thing that was happening at Bretton Woods is that the nations of the world were falling very heavily under the influence of the Keynesians, the collectivists and the international banking fraternity. And they wanted to create – not all at once, but they wanted to create a system that would eventually evolve into a global currency and a global monetary system that would be completely without backing of gold or silver. Because when money is backed by something tangible like gold or silver then the amount of money that can be brought into existence is limited by the quantity of the commodity that is backing that currency. So it severely limits the banks and the politicians in their ability to create money.

So the goal at Bretton Woods was to make it sound like it was all in the interests of you folks around the world to stabilize international commerce for you folks, and to do all these good things for you folks. But the real goal was to bury the concept of a gold or silver-backed currency every where in the world, and to create an international currency which would be entirely flexible – as the word that they used, meaning it could be created completely out of nothing at the political whims of those who were in charge of this global system. This was the beginning of the economic side of building a new world order as they called it since then, and it has been unfolding pretty steadily exactly according to plan. [29:35]

World Bank and the IMF

JIM: You know as we look at this and the extensions of this whole program, wasn't the World Bank and the IMF really an international version of the game called 'the bailout'?

EDWARD: Well, yes, I think that's a good analysis. The whole process has been to step this thing up from national to international mechanisms. These people, even though they may be American citizens, or British citizens or citizens of France, or what have you, their minds have driven them to become internationalists. Their real loyalties are not to their respective countries, but to an international concept, an international currency, monetary system and government. So that's what's been happening. If you just look at the surface and read their speeches, it sounds pretty good, but if you realize what their motives were and then of course you don't have to guess about it anymore because hindsight tells us that's a correct analysis. We've been moving steadily away from national currencies which were backed by gold and silver – steadily in the directions of international currencies which are backed by nothing at all. [30:45]

Why Do Central Bankers Hate Gold?

JIM: Why don't you talk about something else that's an anathema to most central bankers, and that's the supremacy of gold. I think a lot of people know that central bankers aren't very fond of it even though they own it and loan it. And why does gold guarantee stability and actually give us more of that than the present fiat system we have now?

EDWARD: Yes, bankers and politicians hate gold as a backing for currency, because as I mentioned a moment ago that if you have a currency that has to be backed by a quantity of gold or silver you're limited in how much currency you can create and put into circulation. And that's anathema to politicians and bankers. They want more and more of it. And so they'll try and convince it's for you folks to have more and more of it so that the economy can prosper, but in reality any amount of silver or any amount of gold behind a currency will work as well as any other amount. The available quantity merely determines the preciousness or the value of any one particular unit.

Now, I'm getting a little bit ahead of myself, your question is more generic than that, and it's a good question because you see when money is backed by gold, say, let's say there is a piece of paper out there that says this piece of paper can be exchanged at the bank or at the Federal government for 1 ounce of .999 gold – let's just call this piece of paper the 'oz,' Ok. It's not a dollar, it's called an oz because it can be exchanged for 1 ounce of gold. That means that you can take the oz and you know right away what you can buy with it. You can buy approximately whatever takes the same amount of effort to create 1 ounce of gold, because that gold has to be dug up out of the earth, it has to be refined, it has to be put into a little circle and assayed to determine its purity, and stamped with various designs and now we have a 1 ounce gold coin. There's a certain amount of human effort required to produce that, and so you can take that and exchange it for let's say, anything of material value that takes approximately the same amount of human effort to produce it.

I think one of the best examples is the fact that if you lived in Ancient Rome and you had a 1 ounce gold coin at that time, you could have purchased a handcrafted belt, a very fine toga and a pair of sandals – that was the price: 1 ounce of gold. Today, thousands of years later, if you've got a 1 ounce gold coin with no numismatic value, just a plain old bullion coin, 1 ounce of gold, you can exchange that for Federal Reserve notes and then immediately go into a men's store and buy a nice suit, a handcrafted belt and a pair of shoes. The value of that gold has not changed in terms of money for thousands of years because it takes the same amount of human effort to produce a nice suit, a handcrafted belt and a pair shoes – approximately the same

– as it does to produce a one ounce of gold coin. The miners' efforts and the refiners' efforts and so forth, all added together, the human effort on both sides on that equation remain approximately the same. And that is why monetary systems that are backed by something that can't be created out of nothing – something of intrinsic value – that always is a very stable monetary system over a long period of time.

But once you take that connection away and say, "oh, we don't need to back this piece of paper by anything," this oz now doesn't have anything behind it except a signature from the Secretary of the Treasury, and some words across the top of it that say Federal Reserve note – whatever that means – now all of a sudden these things can be produced without limit and the quantity increases faster than the expansion of goods and services. And the first thing you know, it doesn't take one oz to buy a suit, belt and a pair of shoes, it takes two, and then it takes four, and then it takes twenty-four, then it takes one hundred, and so forth, which is why as you mentioned a moment ago, since the creation of the Federal Reserve System the value, the purchasing power, of the dollar has dropped by over 90%. That means that the government and the banks, this partnership – this cartel that we're talking about called the Federal Reserve System – has literally taken your purchasing power. They have taxed you in a way that you didn't even know it. Inflation is a hidden tax, it's a tax that is just as real as the income tax or any other tax, in fact it's even more real because you can't escape it – I mean there's no deduction; it falls on people who can least afford to pay it more heavily. It's one of the worst taxes imaginable. Inflation is a tax and it's a direct tax as a result of this cartel called the Federal Reserve System. [36:14]

Bankers and War

JIM: You know, one aspect of your book that you find throughout the 19th and 20th Centuries, and you go on to chronicle this, is the international link between large banking family interests. For example, you talk about how the Rothschilds financed both sides of the Napoleonic wars. And in your history of how this system unfolds, we find bankers doing the same thing throughout the wars of the 20th Century. In fact, a good portion of your book describes the role bankers have played in financing both wars and revolutions.

EDWARD: That's true. One of the least appreciated facts of history, I think, is that all the wars since the creation of money – paper money and that kind of thing – all wars have been exacerbated by the bankers who make money available so easily to finance both sides. It's just a fact of history – I'm sure if they couldn't create money out of nothing, if it weren't possible to use this hidden tax called inflation to raise money for wars, I doubt if many wars would be thought. There would be some kind of skirmishes I suppose, some limited battles, but most people would not tolerate…I don't think the American people would tolerate the war in Iraq today if they really had to pay for it in taxes. They don't yet know that they're paying for it through inflation – they'll find out – but if the tax man came to them and said, "look, we need to double your taxes this year because we've got this war in Iraq, and we're fighting terrorism in Iraq, so we need twice the amount of money that we took last year," I think most, most Americans would say, "no, let's look at this again." So, the reason banking is so important to wars is that it makes wars relatively easy to finance by the warring governments and the bankers have known this for a very long time. And as you mentioned, the Rothschilds were the first ones who really showed up on the historical horizon and loomed very large, and we find they were financing both sides of many wars.

Another aspect of that is when you make a loan to somebody and they refuse to pay it, if you're dealing with a deadbeat within the nation you can call on the courts or the local laws and the local police and say, "look, this guy broke his contract with me, he's got to pay back that loan, or we're going to put him in jail." So that's how they enforce their loans within a nation. But when you are making a loan to a king, or to a government, and that government or the king says, "we're not going to pay you," what do you do? You can't send the police to the king and say, "pay up or else," because he controls the police, he controls the military. So the banks worked that out a long time ago: if you don't pay up and you're a government they'll go finance some other government and create an enemy and invade you if you don't pay, and you're suddenly ousted by some other government or some revolutionary movement. Banks, on an international level, are very good at financing enemies of the states. So they do finance both sides of many conflicts, simply as a means of making sure that both sides pay up on their international loans. [39:52]

Is it Inflation or Deflation Ahead?

JIM: There's a big debate in the financial community today, and it's whether we're going to experience inflation or deflation. As I look at it, I don't think I can remember last when we ever had real deflation. But when you have a fiat system where you are able to prevent defaults, or let's say a bank loses a lot of money because of bad loans, they can create money out of nothing and just replenish the banks as they did in 90 and 91. As you look at the way the system works today and you see the amount of money that we're printing – last year we created or this year we're creating almost $4.4 trillion of new credit in our system – do you see inflation or deflation on the horizon?

EDWARD: Well, to me, it's pretty clear – it's inflation. I don't see how you can see deflation in any of this because they have lifted the floodgates and there's no limit to the amount of fresh money that they're pushing out. I think there's going to be more of that in the future. But the question is still good because there comes a time even though they're pushing money into the economy, people are still losing jobs and losing purchasing power, so these two opposing forces are fighting each other and it's hard to say which ones will be the most devastating. But nevertheless, in my view, I think that the effects of deflation will be more than overcome by the counter effects of inflation, and that in net, we will have an inflationary experience. [41:36]

Can the US Change Course?

JIM: I want to go back to the founding of our Republic. Our Founding Fathers, through the Constitution, prohibited States and the Federal government from issuing fiat money because of their bitter experience that they saw with hyperinflation during the revolutionary war. What they did was put in place a product which I believe was collective genius. How do we ever get back to this? Is it possible to get back to a sound money system given where we are today?

EDWARD: It's possible, but when you think of the requirements, it's pretty staggering, Jim. It's possible of course, all that it takes – ha, here we go – all that it takes is that the American people understand the problem that we have today, and have the discipline, and elect Congressmen to office that will have the discipline to bring about the necessary changes. That's all it takes – in other words, all it takes is a miracle.

I don't think that the American public – I don't see any evidence of it at least so far – is really catching on to the scam, at least in sufficient numbers to bring about some kind of political wave of reform. And I certainly see no evidence in Washington, DC that our elected representatives have any indication that even if they did understand it of going against it. Because you must understand that many of them hold their positions of office largely as a result of being cooperative with these banking sources. So for them to turn against the hand that feeds them I don't think is very realistic to think that's going to happen.

How do we replace these people in Washington? We replace them simply by having candidates who are independent of this mechanism, and they're not on the scene. And if they were independent the public wouldn't vote for them because they would be portrayed in the press as madmen. The public - we always get back to that – must understand this banking scam so that when the propaganda comes out and tries to convince them that anyone who opposes the Federal Reserve System is some kind of a fruitcake, the public must be able to withstand that propaganda and say: "Ah! We know that he's not a fruitcake after all. He's the guy we want." So we have a lot of work to do ahead of us, so the answer to your question is it's possible, but at the present time the locomotive is running in the opposite direction. [44:12]

Doomsday Mechanisms

JIM: I want to fast forward to one of the final chapters of your book where you talk about the doomsday mechanisms. One of the characteristics of our present time is the extent to which the Americans and their governments are mired in debt; you take a look at what the national debt is – over $9 trillion and still growing; we're running almost 800 to $900 billion worth of trade deficits. And if you take a look at that today, as you point out in your book, you find some interesting statistics: there are more people working for government than for all the manufacturing companies in the private sector; there are more bank regulators than bankers; there are more farm bureau workers than farmers; more welfare administrators than recipients; and there are more citizens receiving government checks than there are paying income taxes. I see that as a problem that's very difficult to fix – there's a vested interest here.

EDWARD: It is very difficult to fix because it looks like it has gone past the point of no return. When you give people the opportunity to vote themselves whatever they want through a majority vote and finally that number has reached more than the majority then that minority is doomed. The minority of honest working people who are not trying to get something for nothing are being pressured more and more, they're squeezed more and more. I think everybody now knows that the middle class is in great retreat in America.

Prior to the establishment of the Federal Reserve the middle class was rapidly growing, the gap between the top and the bottom was getting narrower and narrower, and we were really moving into a very wonderful system based on free market economies. But since the creation of the Federal Reserve, and some other things too might add, the trend has reversed. So now the middle class is getting wiped out. The middle class is the ones who are paying the taxes, the middle class is the one that is doing the work, and as that gets wiped out and gets smaller and smaller, there comes a time when there's no heartbeat left in the system. The system will not have the strength to continue and at that point all we'll have is just raw naked force: government telling you what you must do or else go to prison – that'll be the driving force. I'm afraid we see it coming closer and closer unless we turn this thing around very soon. [46:45]

JIM: Let's go forward and talk about your pessimistic scenario, because you just mentioned it's gone well beyond repair. It sounds like your pessimistic scenario is the course that's going to unfold in the future.

EDWARD: If we go on the basis of the trends, we have to say that is coming. If you just sort of plot this on a mental chart in your mind you can see that line is heading straight toward total government, government is growing every year; new laws are being passed every day; personal liberties are being reduced every day. This represents almost a straight line chart if you were to put it on a piece of paper. So you have to say unless something changes, that line is going to continue to go in the same direction it's going now, until finally we have more and more and more government, more government, more government – and then all of a sudden we reach the end of that line and it's total government, which is totalitarianism. So unless the trend changes there's no doubt that we are headed right smack dab into totalitarianism.

So the question is – and we come to the optimistic scenario – what will it take to change that trend, what is it going to take that line and bend it back down and start reducing the size of government? And as I mentioned before, the only thing that will do that is an awakening on the part of the American people that first of all they're in a mess because of the growth of government – many people think we're in a mess because government isn't big enough. You know, "hey, we've got a problem – let's have more laws." That's the thinking that's gotten us into the problem we're at. And these potential tyrants that are just wringing their hands in anticipation and glee expecting to have total control over our lives, are counting on the American people jumping at every problem that lies ahead, and saying, "oh golly, we need more laws, more government." They're just waiting for the Boobus Americanus to vote itself right into slavery.

Well, so what do we do to change that? That's a hard one to answer, and perhaps this is not the place to get into it, but I created an organization about 4 years ago called Freedom Force International. And it's an organization that deals directly with this issue, and these are people who are now in 30 countries around the world, by the way, who have a plan to reverse this trend and get that chart moving back in the other direction. It's a big topic, Jim, perhaps some day we can talk about it, but in the meantime if anybody's interested in how we think it can be done, I would urge them to come to our website, and it's a real easy one to remember: It's called www.freedomforceinternational.org - .org for organization. And I think you would be very impressed by the plan that we have already put into motion. [49:53]

JIM: I know you do a lot of documentaries and you've received rewards for those. Have you ever thought of producing a documentary regarding *The Creature From Jekyll Island*?

EDWARD: Yes, I have Jim and that would be a wonderful thing. It would be rather expensive to do that, we don't really have the resources for that. There is a fellow by the name of James Jaeger who is the President of Matrix Productions – I believe it's called, you can find them on the internet – and he in fact has made great strides in that direction actually. I saw the preliminaries on it just a little while ago, and it's getting pretty close to complete. I think it's a very good documentary. So anybody that's interested in that can look up Matrix Entertainment or James Jaeger – I even think he's got it on the internet so you can look at it. [50:48]

JIM: Well, Mr. Griffin, if somebody wanted to get a copy of your book, and by the way, I'd recommend to our listeners if they haven't read Mr. Griffin's book, it's an essential book to have in any library to understand how the monetary system works, especially the great, great chapters you have on a crash course on money, because you'll really gain an understanding. Mr. Griffin, how can they obtain a copy of your book?

EDWARD: Well, the book is on the internet of course – Amazon has it, I think most of the major bookstores have it. Although they're often not stocked in sufficient quantity so that when you walk in to a Borders or some place like that they'll say, "Oh yeah, we've got the book but we'll have to order it." So it takes a little while. But the fastest way is Amazon, or they can come directly to us. I would urge that because we have a lot of other books and we have documentary films and audio recordings on this topic too. So if all else fails, come directly to the source which is Reality Zone, which is our commercial operation, and that too is easy to remember: it's www.realityzone.com. [51:59]

JIM: Mr. Griffin I want to thank you for joining us here on the Financial Sense Newshour. It's good to talk to you again. We first talked to you when this book came out many years ago, but it's more relevant today than ever.

EDWARD: Unfortunately that's true.

JIM: And once again, thanks for joining us on the program, and would you mind giving out your two websites once again?

EDWARD: Well, I'd be glad to do that, Jim. The commercial site where the book and recordings and video documentaries can be obtained is called Reality Zone, it's www.realityzone.com; and then the organization that I mentioned which is made up of people from all over the world who are trying to do something about this constructively, really make a difference, not just knowing about it and complaining about it but actually doing something about it, that's called Freedom Force. And so that's www.freedomforceinternational.org.

JIM: And once again, the name of the book, if you're looking it up on Amazon, is called *The Creature From Jekyll Island*, by G. Edward Griffin. Mr. Griffin, all the best to you sir, and much success.

EDWARD: Thank you very much, Jim, and the same to you.