

# PJ 17 B

Appendix B & C





**What You Can Do . . .**

Shown below are the four Fed audit-and-reform measures before the House and the Senate. In the House: H.R. 844, H.R. 3512 and H.R. 3066. In the Senate: S. 734.

Check the accompanying lists, and see if your representative and senators have signed on as co-sponsors of the legislation. If not, write him or them or call him or them today.

You may write your representative in care of: The House of Representatives, Washington, D.C. 20515.

You may write your senators in care of: The U.S. Senate, Washington, D.C. 20510.

The telephone number for the U.S. Capitol switchboard is (202) 224-3121. Call this number and ask to be connected to the office of your representative or senators.

101ST CONGRESS  
1ST SESSION

# H. R. 3066

To strengthen the political responsibility and accountability of the Federal Reserve System.

IN THE HOUSE OF REPRESENTATIVES

August 1, 1988

Mr. EVANS introduced the following bill, which was referred to the Committee on Banking, Finance and Urban Affairs

**Co-Sponsors of H.R. 3066**

- CALIFORNIA
  - Jim Bates (D)
  - Ronald V. Dellums (D)
- ILLINOIS
  - Lane Evans (D)
- INDIANA
  - Jim Jontz (D)
- LOUISIANA
  - W.J. (Billy) Tauzin (D)
- MINNESOTA
  - Tim Penny (D)
- OHIO
  - Dennis Eckhart (D)
- OREGON
  - Pete DeFazio (D)

**Co-Sponsors of H.R. 3512**

- CALIFORNIA
  - Jim Bates (D)
- FLORIDA
  - Dante B. Fascell (D)
  - Lawrence J. Smith (D)

**ILLINOIS**

- Frank Annunzio (D)
- Cardiss Collins (D)
- Philip M. Crane (R)
- Lane Evans (D)

**INDIANA**

- Lee Hamilton (D)
- Andrew Jacobs (D)
- Jim Jontz (D)
- Frank McCloskey (D)
- Pete Visclosky (D)

**KANSAS**

- Dan Glickman (D)

**LOUISIANA**

- Jerry Huckaby (D)

**MASSACHUSETTS**

- Chester Atkins (D)

**MICHIGAN**

- Dale Kildee (D)

**MINNESOTA**

- Tim Penny (D)
- Martin Sabo (D)
- Vin Weber (R)

101ST CONGRESS  
1ST SESSION

# H. R. 3512

To modernize the Federal Reserve System and to provide for prompt disclosure of certain decisions of the Federal Open Market Committee.

## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 24, 1988

Mr. DORGAN of North Dakota (for himself and Mr. HAMILTON) introduced the following bill; which was referred jointly to the Committees on Banking, Finance and Urban Affairs and Government Operations

### MISSOURI

Alan Wheat (D)

### NEW JERSEY

William Hughes (D)

### NEW YORK

Edolphus Towns (D)

### NORTH CAROLINA

Martin Lancaster (D)

### NORTH DAKOTA

Byron Dorgan (D)

### OHIO

Dennis Eckhart (D)

Thomas Luken (D)

### OKLAHOMA

Glenn English (D)

### OREGON

Pete DeFazio (D)

### TEXAS

Albert Bustamante (D)

Jim Chapman (D)

### WEST VIRGINIA

Robert Wise (D)

### WISCONSIN

David Obey (D)

### Co-Sponsors of H.R. 844

### ARIZONA

Bob Stump (R)

### CALIFORNIA

Jim Bates (D)

Tom Campbell (R)

Christopher Cox (R)

William Dannemeyer (R)

Robert Dornan (R)

Wally Herger (R)

Duncan Hunter (R)

Ron Packard (R)

Dana Rohrabacher (R)

Norman Shumway (R)

### COLORADO

Joel Hefley (R)

### CONNECTICUT

Sam Gejdenson (D)

Christopher Shays (R)

### FLORIDA

Mike Bilirakis (R)

Sam Gibbons (D)

101ST CONGRESS  
1ST SESSION

# H. R. 844

To authorize and direct the General Accounting Office to audit the Federal Reserve Board, the Federal Advisory Council, the Federal Open Market Committee, and Federal Reserve banks and their branches.

## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 6, 1989

Mr. CRANE introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

Craig T. James (R)  
C.W. (Bill) Young (R)

### GEORGIA

Newt Gingrich (R)

### IDAHO

Larry Craig (R)

### ILLINOIS

Frank Annunzio (D)

Philip M. Crane (R)

Harris Fawell (R)

### INDIANA

Dan Burton (R)

Andrew Jacobs (D)

John P. Hiler (R)

### IOWA

Jim Ross Lightfoot (R)

### KENTUCKY

Jim Bunning (R)

Harold Rogers (R)

### LOUISIANA

Jimmy Hayes (D)

Jerry Huckaby (D)

Bob Livingston (R)

W.J. (Billy) Tauzin (D)

### MARYLAND

Helen Delich Bentley (R)

### MISSOURI

Mel Hancock (R)

### MONTANA

Ron Marlenee (R)

### NEVADA

Barbara Vucanovich (R)

### NEW HAMPSHIRE

Chuck Douglas (R)

Robert Smith (R)

### NEW JERSEY

Jim Saxton (R)

### NEW YORK

Gerald B. Solomon (R)

### OHIO

Bob McEwen (R)

### OKLAHOMA

Mickey Edwards (R)

Glenn English (D)

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101ST CONGRESS  
1ST SESSION

# S. 734

To authorize and direct the General Accounting Office to audit the Federal Reserve Board, the Federal Advisory Council, the Federal Open Market Committee, and Federal banks and their branches.

## IN THE SENATE OF THE UNITED STATES

APRIL 10 (legislative day - JANUARY 3), 1988

Mr. RSD introduced the following bill, which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

### OREGON

Pete DeFazio (D)  
Denny Smith (R)

### PENNSYLVANIA

Joseph Kolter (D)  
Austin J. Murphy (D)  
Don Ritter (R)  
Robert Waker (R)  
Gus Yatron (D)

### SOUTH CAROLINA

Arthur Ravenel (D)

### SOUTH DAKOTA

Tim Johnson (D)

### TENNESSEE

Don Sundquist (R)  
Bob Clement (D)

### TEXAS

Richard Arme (R)  
Ralph Hall (D)

### UTAH

James V. Hansen (R)  
Howard Nielson (R)

### VERMONT

Peter Smith (R)

### VIRGINIA

Thomas Bliley (R)  
D. French Slaughter (R)

### WISCONSIN

Tom Petri (R)

### WYOMING

Craig Thomas (R)

### Co-Sponsors of S. 734

### IDAHO

Steve Symms (R)  
James McClure (R)

### IOWA

Charles Grassley (R)

### NEVADA

Harry Reid (D)

### NORTH CAROLINA

Jesse Helms (R)

### OKLAHOMA

Don Nickles (R)

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## APPENDIX C

### DEFEND YOUR MONEY AND PROPERTY

Herein are action documents to help you inspire direct participation by local leaders in the campaign to repeal the Federal Reserve Act of 23 December 1913.

There are many states already active in effort to accomplish this task, Oregon, Texas, Alabama, Indiana, etc. There is also a National Conference of State Legislatures. Information can be gained from the offices of Jack Metcalf, Washington State Legislature, Institutional Building, Olympia, Washington 98504 (206)753-7618.

The following pages in this Appendix are directly from a compilation of documents presented for your use and planning. They were originally compiled and presented for public use in a superb document, THE MOST SECRET SCIENCES, Archibald E. Roberts, Lt. Col., AUS, ret. We give great credit and appreciation to this outstanding officer in service unto his "true" country and his fellow-citizen. May you all please join forces and support these daring warriors for your rights, nation and freedom. God bless this material and may you have intuitive insight to perceive the "way" and then will you please get up off your backsides and cover your assets through appropriate action. May truth and wisdom be your shield; and may your goal be freedom and peace. Salu.

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**LOCAL ORGANIZATION,  
PERSONAL PARTICIPATION,  
IS THE SOLUTION  
TO ECONOMIC TYRANNY**

**DEFEND YOUR MONEY AND PROPERTY  
COUNTY ORDINANCE TO REPEAL THE FEDERAL  
RESERVE ACT OF 23 DECEMBER 1913**

**Here are county action documents to help you inspire direct participation by local leaders in the campaign to repeal the Federal Reserve Act of 23 December 1913.**

THE COUNTY is the building block of the American political system. The sheriff, county judge and county commissioner are local chieftains in the proper functioning of county government. These offices present the greatest challenge to the misuse of authority by a central government.

It is wasteful to wrestle with the convoluted problems of the world. More real progress will be made by concentrating on local issues affecting your money, your property and your family.

Only you can demand that your county official, whom you elected to represent you, discharge his obligation to you. He must do this by a positive act, by challenging the unconstitutional Federal Reserve System.

By such direct and positive action you and he can escape the 'New World Order' planned for you and your children.

Instruments consist of a Petition form and model County Ordinance.

Your mission, should you choose to accept it, is to mobilize local leaders and promote county government participation in the Federal Reserve project.

Your goal is adoption of the model County Ordinance by your County Commission.

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A county ordinance is county law. The model County Ordinance to repeal the Fed lists legal 'findings.' State legislators, ultimate agents of your effort, need not 'prove the case' to justify compliance with 'decree' included in the County Ordinance.

Your county petition operation will focus public demand for protection on county officials, leading to adoption of the Ordinance and subsequent corrective action by State lawmakers.

To launch the county petition drive, insert appropriate information in Petition spaces indicated and reproduce (quick-print) one thousand copies of Petition and model County Ordinance. Send one of each to persons on your mailing list.

Include your letter of instruction on how addressees should circulate Petition/Ordinance to friends, family and business associates.

Mention need for tables to collect Petition signatures at shopping malls and other areas of pedestrian traffic. Use this memorandum as your guide.

Urge local leaders to seek participation by Constitution-oriented groups: tax protest, private property, honest money, second amendment, Christian fundamentalist, and regional governance / world government / United Nations opponents.

Special interest occupations: eg; real estate, construction, farm & ranch, can be encouraged to translate anger and frustration into a practical solution to the central issue: Money, and those who control it.

Cultivate endorsement for repeal of the Federal Reserve Act by local business and industry, patriotic & civic organizations, and political figures.

Make a photo-copy of signed petitions as they are returned to you. Mail Petition / Ordinance, with your instruction letter, to each person listed on returned Petitions.

Remember, Petitions are prospective lists of members for your CRC county chapter.

Concurrently, meet with your county commission to apprise them of your program. Provide background briefings and documentation to prepare for public hearing and adoption of the Ordinance by the County Commission. Assistance and informational material is available from Committee to Restore the Constitution, Inc.

Advise media on the progress of your drive, and notify radio, television and newspaper editors date of public hearing.

Submit original signed Petition and model County Ordinance to your County Commission at scheduled public hearing.

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THE COMMISSION FINDS that the Congress of the United States is without authority to delegate any powers which it has received from the people under the constitutional contract.

THE COMMISSION FINDS that the Federal Reserve Act of 23 December 1913 was imposed upon the citizens of \_\_\_\_\_ County, State of \_\_\_\_\_ in violation of Article I, section 1, Constitution of the United States.

THE COMMISSION FINDS that the Federal Reserve System, which is not subject to any official periodic review or oversight by Congress, has unconstitutionally controlled the economy of the United States and financial fortunes of \_\_\_\_\_ County citizens, State of \_\_\_\_\_, through the alleged powers of the Federal Reserve Act unconstitutionally granted by the Congress of the United States.

THE COMMISSION FINDS that the citizens of \_\_\_\_\_ County, State of \_\_\_\_\_, face economic crisis and undue hardship brought about by the unconstitutional, arbitrary and capricious control and management of the nation's money supply by the Federal Reserve Board, the policy-making agency of the Federal Reserve System, a consortium of private bankers.

THE COMMISSION CONDEMNNS economic control over the citizens of \_\_\_\_\_ County by the Federal Reserve Board, and decrees that the \_\_\_\_\_ State legislature shall instruct members of the \_\_\_\_\_ State Congressional Delegation to jointly sponsor legislation to repeal the Federal Reserve Act of 23 December 1913, as they are authorized to do under Article 30 of the original Act.

THE COMMISSION URGES the \_\_\_\_\_ State legislature to take whatever additional action may be necessary to protect the money and property of \_\_\_\_\_ County citizens, State of \_\_\_\_\_, as it is required to do under provisions of the \_\_\_\_\_ State Constitution and the Constitution of the United States.

THE COMMISSION DIRECTS that a copy of this ordinance, accompanied by supporting documents, be forwarded to the State Legislative Delegation, Majority Leaders of Senate and House, Governor, Lieutenant Governor, Secretary of State, Attorney General, and to the President, State Association of County Commissioners, State of \_\_\_\_\_, requesting enabling legislation.<sup>(a)</sup>

ORDINANCE # \_\_\_\_\_, introduced by \_\_\_\_\_, seconded by \_\_\_\_\_, and unanimously approved, is duly declared passed and adopted this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_\_\_\_.

BY: \_\_\_\_\_ Chairman

APPROVED AS TO FORM AND LEGAL SUFFICIENCY:

\_\_\_\_\_, Counsel

<sup>(a)</sup> Sample Enabling State Memorial (Resolution) attached, "A Concurrent Memorial (Resolution) Urging the President and the Congress of the United States to Repeal the Federal Reserve Act."

**SAMPLE: ENABLING STATE LEGISLATION (HCM #2002 adopted 1 March 1982)**

State of Arizona  
House of Representatives  
Thirty-fifth Legislature  
Second Regular Session  
1982

Rough Draft Folder #369-11/16/81 DG/dl

REFERENCE TITLE:  
repeal of Federal Reserve Act; memorial  
1982

H.C.M. \_\_\_\_\_

Introduced by Rep. D. Lee Jones

A CONCURRENT MEMORIAL

URGING THE PRESIDENT AND THE CONGRESS OF THE UNITED STATES TO REPEAL THE FEDERAL RESERVE ACT.

To the President and the Congress of the United States of America:

Your memorialist respectfully represents:

WHEREAS, Article I, section 8, Constitution of the United States provides that only the Congress of the United States shall have the power "to borrow Money on the credit of the United States;" and

WHEREAS, the Federal Reserve Act of December 23, 1913 (Act of December 23, 1913; 38 Stat. 251; 12 United States Code section 221 et seq.) transferred the power to borrow money on the credit of the United States to a consortium of private bankers in violation of the prohibitions of Article I, section 8, Constitution of the United States; and

WHEREAS, Article I, section 8, Constitution of the United States directs that only the Congress of the United States is permitted "to coin Money, regulate the Value thereof, and of foreign coin, and fix the Standard of Weights and Measures;" and

WHEREAS, the Federal Reserve Act of 23 December 1913 transferred the power to coin money, regulate the value thereof, and of foreign coin, to a consortium of private bankers in violation of the prohibitions of Article I, section 8, Constitution of the United States; and

WHEREAS, Article I, section 1, Constitution of the United States, provides that "all legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives;" and

WHEREAS, the Congress of the United States is without authority to delegate any powers which it has received under the Constitution of the United States established by the People of the United States; and

WHEREAS, the Federal Reserve Act of December 23, 1913 was imposed upon the People of the State of Arizona in violation of the provisions of Article I, section 1, Constitution of the United States; and



WHEREAS, members of the Federal Reserve System, a consortium of private bankers, have threatened the very integrity of our national government through their arbitrary and capricious control and management of the nation's money supply; and

WHEREAS, testimony entered into the *Congressional Record* on April 19, 1971 by one observer, Mr. Archibald E. Roberts, indicates that past and present members of the Federal Reserve Board may be guilty of criminal conduct and there is evidence to support his view; and

WHEREAS, the United States is facing, in the current decade, an economic debacle of massive proportions due in large measure to a continued erosion of our national currency and the resultant high interest rates caused by the policies of the Federal Reserve Board; and

WHEREAS, a consortium of private bankers which is not subject to any official periodic review or oversight by Congress has unconstitutionally controlled the economy of the United States through the Federal Reserve Act since 1913; and

WHEREAS, this nation faces an immediate economic crisis. It is extremely urgent that the Congress of the United States act before it is too late by repealing the Federal Reserve Act and restoring the economy of this nation to a sound basis through a withdrawal of all "fiat money" now in circulation — the so-called Federal Reserve Notes . . .

WHEREFORE, your memorialist, the House of Representatives of the State of Arizona, the Senate concurring, prays:

1. That the Congress of the United States immediately enact such legislation as is necessary to repeal the Federal Reserve Act . . .
2. That the President of the United States immediately sign the necessary enabling legislation once it reaches his desk.
3. That the Secretary of State of Arizona transmit copies of this Memorial to the President of the United States Senate, the Speaker of the House of Representatives of the United States and to each Member of the Arizona Congressional Delegation.

**CORRECTIVE STATE LEGISLATION  
IS THE SOLUTION  
TO CONSTITUTIONAL CRISIS**

**LAW OF AGENCY . . .  
UNAUTHORIZED ACTS BY AN AGENT ARE NOT BINDING  
ON THE PRINCIPAL**

**"Law of Agency" is central to resolving the constitutional crisis.**

The original thirteen Nations, recognized as such by the Treaty of Peace which concluded the Revolutionary War, created the Federal government.

Following the War for Independence, the thirteen nation-states organized themselves as the United States under a mutual compact, the Constitution of the United States.

Every succeeding State entered the Union of States, ". . . upon an equal footing with the original States in all respects whatsoever," (Chapter XXXVI, 13 United Statutes at Large, 1864).

The constitutional contract established, in the first three Articles, three branches of government: Legislative, Executive and Judicial. The People, through their State deputies, delegated to these three agencies certain limited powers, retaining unto themselves all powers not so delegated.

Each sovereign State, as a Principal under the constitutional compact, is supreme over its Federal agencies. The State is empowered to correct acts by its Federal agents which IT deems violate delegated powers enumerated in the Articles of the Constitution.

Each sovereign State has the authority and the responsibility to enforce provisions of the Constitution within its borders, and to provide criminal sanctions for violators.

The People, from whom flow all political powers, are responsible for instructing their State senators and representatives to challenge unconstitutional acts by Federal agents, as they are required to do by oath of office.

Each citizen is charged with the mission of defending and preserving freedoms of person and property guaranteed to the People by the Constitution of the United States.

*"The refusal of King George to operate an honest colonial money system which freed the ordinary man from the clutches of the manipulators was probably the prime cause of the Revolution."*

BENJAMIN FRANKLIN

## THE CONSTITUTION SECURES POWER TO THE PEOPLE

Hon. John R. Rarick, in the House of Representatives, 19 April 1971

Mr. RARICK. Mr. Speaker, "power to the people" is a slogan used not only by radical socialists in their plans to communize America but also by President Nixon in his New American Revolution.

In his State of the Union Address on January 22, 1971, the President stated:

So let us put the money where the needs are. And let us put the power to spend it where the people are.

The further away government is from people, the stronger government becomes and the weaker people become. And a nation with a strong government and a weak people is an empty shell.

I reject the idea that government in Washington, D.C. is inevitably more wise, more honest, and more efficient than government at the local or State level. . .

The idea that a bureaucratic elite in Washington knows best what is best for people everywhere and that you cannot trust local government is really a contention that you cannot trust people to govern themselves. This notion is completely foreign to the American experience. Local government is the government closest to the people and it is most responsive to the individual person; it is people's government in a far more intimate way than the government in Washington can ever be.

People came to America because they wanted to determine their own future rather than to live in a country where others determined their future for them.

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What this change means is that once again in America we are placing our trust in people.

I have faith in people. I trust the judgment of people. Let us give the people of America a chance, a bigger voice in deciding for themselves those questions that so greatly affect their lives.

Whereas the rhetoric of the President is desirable and encouraging, the words unfortunately are made suspect by actions. By consistently asking for more and more tax funds for more and more Federal programs which add to the Federal payroll an increasing number of bureaucrats who increasingly control more and more facets of the daily lives of citizens; by grouping the States into regions with unelected Federal overseers, thereby removing power farther from the people; and by promoting such programs as the Atlantic Union which if effected would remove power still more distant from the people, the Chief Executive is, in effect, fostering power over the people rather than "power to the people."

"Power to the people" is a traditionally American concept which is what the Constitution of the United States is all about. When the necessary number of the Original Thirteen Colonies ratified the U.S. Constitution, they established a government in which political power was decentralized. By the constitutional contract they surrendered to the Federal Government only specified powers. Powers not delegated to the Federal Government were reserved to the States and to the people. And rather than to permit such a logical conclusion from being misunderstood, the 10th amendment so specified the intent.

Under this concept of government, power was concentrated at the bottom — at the lowest denominator of government — the level closest to the people and most responsive to the desires and wishes of the individual person.

Locally controlled governments and systems of education, a basically religious people who in large measure recognized the Holy Bible as a guide to conduct, and a free enterprise economic system with a minimum of government interference produced the most prosperous and powerful Nation on earth. America abounded in Peace, opportunity, and true progress so long as America adhered to the Holy Bible and the Constitution.

The second decade of the present century saw the beginning of a trend in the direction of removing power from the hands of people at the State and local level and concentrating more and more power over the lives of people in the hands of unelected bureaucrats at the regional and Federal levels, in fact, even the surrendering of national powers and prerogatives to international bodies.

This trend was given impetus in 1913, with the enactment of the Federal Reserve Act, which took away people's control over their money; the 16th amendment to the Constitution calling for the graduated Federal income tax — a plank of the Marxist platform — and in 1919, with the establishment of the Council on Foreign Relations which has been instrumental in promoting world government.

The ratification of the U.N. Charter, a plan for world government, by the U.S. Senate in 1945, transferred "people power" still farther away from the people at the local level. The present emphasis being given to regional government and to an Atlantic Union, both of

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which have the President's approval, further erodes the Constitution and are obstacles to circumvent "people power."

Thanks to the seeds of knowledge planted during the past 2 or 3 decades by various constitutional groups and individuals, more and more Americans are becoming informed as to who the anti-Americans are and what they are doing to emasculate our Constitution and to destroy our country by trapping us into regional and world government. Action at the local and State levels by informed groups and individuals to salvage and restore the Constitution and, as a consequence, "people power" is a most encouraging sign.

One such organization is the Committee to Restore the Constitution which recently presented its case to a Special Joint Committee, Wisconsin State Legislature.

I insert to follow my remarks the testimony entitled *The Most Secret Science* before a special joint committee of the Wisconsin State Legislature by Lt. Col. Archibald E. Roberts, A.U.S. — retired, Director of the Committee to Restore the Constitution, Inc.

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*"If Congress has the right to issue paper money, it was given them to be used by themselves, and not to be delegated to individuals or corporations."*

ANDREW JACKSON

## OUTLAW THE FED ARIZONA LEGISLATORS PETITION PRESIDENT AND CONGRESS

**United States facing economic debacle of massive proportions due to arbitrary and capricious control of nation's money by private banking interests, say lawmakers.**

Charging that the Federal Reserve Act of 1913 was imposed on the people of Arizona in violation of Article I, section 1, Constitution of the United States, the Arizona State Senate, on 1 March 1982, voted 18 to 11 for adoption of House Concurrent Memorial #2002, urging the President and Congress to restore control of the nation's economy to the People.

House of Representative members had, three weeks earlier, passed the historic petition by a 'booming' 51-0 vote.

Representative D. Lee Jones, principal sponsor and chief lobbyist for HCM #2002, noted that Article I, section 8, Constitution of the United States, provides that only the Congress is authorized to, "... borrow Money on the credit of the United States," and, "... to coin Money and regulate the Value thereof."

Federal legislative agencies are prohibited from transferring these vital powers to private banking interests, he said.

Adorned with the names of sixty-eight co-sponsors (49 Representatives and 19 Senators) House Concurrent Memorial #2002 declares that the Congress of the United States is, "... without authority to delegate any powers which it has received under the Constitution of the United States established by the People of the United States."

Being unconstitutional, the Federal Reserve Act of 1913 must be put down.

Arizona lawmakers further direct that the Secretary of State transmit copies of the memorial to the President of the United States Senate, the Speaker of the House of Representatives of the United States, and to each Member of the Arizona Congressional Delegation.

Lawmakers in other states, reports Rep. Jones, "... have contacted me with indications of their interest in the move to oust the International Bankers ... from our national pocketbook."

Letter of transmittal from Mr. Jones and full text of Arizona HCM #2002, "Urging the President and Congress of the United States to Repeal the Federal Reserve Act," begin on the following page.

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Arizona House of Representatives  
Phoenix, Arizona 85007

March 2, 1982

Colonel A. E. Roberts  
Committee to Restore the Constitution Inc.  
P.O. Box 986  
Fort Collins, Colorado 80522

Dear Colonel Roberts:

Good news! After what has seemed to have been a long and difficult ordeal of unbelievable political reality, our Arizona Senate yesterday finally gave our House Concurrent Memorial a favorable 18-11-1 vote, after my more conservative House of Representatives had passed it out several weeks ago with a booming 51-0 vote (with nine members absent and not voting).

It is becoming increasingly obvious that if our 1982 Congress had been in power in 1776, our Constitution, as it is today, would never have been written.

Maybe what ails our country is a near-lethal dose of ignorance, aided and abetted by a lot of apprehension and/or indifference.

Enclosed are a couple copies of the HCM 2002 which, in my estimation, would be more acceptable if printed on only one side of the paper.

I shall try to locate some addresses of people who have contacted me, with indications of their interest in the move to oust the International Bankers out and away from our national pocketbook.

Sincerely,

D. Lee Jones  
State Representative

DLJ:ba  
Enclosure

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STATE OF ARIZONA  
35th LEGISLATURE  
SECOND REGULAR  
SESSION

HOUSE  
HCM 2002  
Introduced  
January 21, 1982  
Adopted  
1 March 1982

REFERENCE TITLE: Repeal of Federal Reserve Act; Memorial

Referred on January 21, 1982  
Rules

Introduced by  
Representatives Jones, Skelly, Hamilton: Abril, Baker, Barr, Cajero, Carlson, Cooper, Courtright, De Long, English, Everall, Goudinoff, Harelson, Hartdegen, Hays, Higuera, Hull, Hungerford, Jennings, Jewett, Jordan, Kelley, Kenney, Kline, Kunasek, Lane, Lewis, Macy, McConnell, McElhaney, Meredith, Messenger, Morales, Pacheco, Ratliff, Rockwell, Rodriguez, Rosenbaum, Sossaman, Thomas, Thompson, Todd, Vukceвич, West, Wettaw, Wilcox, Wright, Senators Corbet, Gabaldon, Getzwiller, Gonzales, J. Gutierrez, Hardt, Hill, Kay, Lindeman, Lunn, Mack, Runyan, Sawyer, Steiner, Swink, Taylor, Tenney, Turley, Usdane

A CONCURRENT MEMORIAL

URGING THE PRESIDENT AND THE CONGRESS OF THE UNITED STATES TO REPEAL THE FEDERAL RESERVE ACT.

To the President and the Congress of the United States of America:

Your memorialist respectfully represents:

WHEREAS, Article I, section 8, Constitution of the United States, provides that only the Congress of the United States shall have the power "to borrow Money on the credit of the United States;" and

WHEREAS, Article I, section 8, Constitution of the United States, directs that only the Congress of the United States is permitted "to coin Money and regulate the Value thereof;" and

WHEREAS, the Federal Reserve Act of 1913 transferred the power to borrow money on the credit of the United States to a consortium of private bankers in violation of the prohibitions of Article I, section 8, Constitution of the United States; and

WHEREAS, the Congress of the United States is without authority to delegate any powers which it has received under the Constitution of the United States established by the People of the United States; and

WHEREAS, Article I, section 1, Constitution of the United States, provides that "all legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives;" and

WHEREAS, the Federal Reserve Act of 1913 was imposed upon the People of the State of Arizona in violation of the provisions of Article I, section 1, Constitution of the United States; and

WASHINGTON STATE LEGISLATORS  
MOVE TO OUST INTERNATIONAL BANKERS FROM CONTROL OF NATIONAL ECONOMY

Purported statutory powers of the Federal Reserve System to create and loan money to the government of the United States, and to set interest rates, are major factors in the present inflation and the interest rate crisis, say State lawmakers.

The *Olympia Herald*, 16 February 1982 issue, revealed that Senator Jack Metcalf, Washington State Legislator, has introduced Engrossed Senate Concurrent Resolution No. 127, "...challenging the constitutionality of the delegation of the power to create money to the Federal Reserve System."

"The Federal Reserve System is nothing more than a group of private banks which charge interest on money that never existed," Senator Metcalf declared.

The Metcalf resolution, which has cleared the Senate, asks the U.S. Supreme Court to look at the

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WHEREAS, the Federal Reserve Banking System, has threatened the integrity of our government through the arbitrary and capricious control and management of the nation's money supply; and

WHEREAS, the United States is facing, in the current decade, an economic debacle of massive proportions due in large measure to a continued erosion of our national currency and the resultant high interest rates caused by the policies of the Federal Reserve Board; and

WHEREFORE, your memorialist, the House of Representatives of the State of Arizona, the Senate concurring, prays:

1. That the Congress of the United States immediately enact such legislation as is necessary to repeal the Federal Reserve Act.

2. That the Secretary of State of Arizona transmit copies of this Memorial to the President of the United States Senate, the Speaker of the House of Representatives of the United States and to each Member of the Arizona Congressional Delegation.

Federal Reserve Act of 1913 and see if it is constitutional.

Senate report, "Information Prepared for Washington State Senate in Consideration of SCR #127," and full text of Senator Metcalf's resolution, follow.

INFORMATION PREPARED FOR WASHINGTON STATE SENATE IN CONSIDERING SCR 127

Sen. Sellar: Senator Metcalf, are you contending that inflation and interest rates are directly related?

Sen. Metcalf: Yes, they are. If you are willing to loan money at 5%, but anticipate a 10% inflation rate, you will ask 15% interest instead of 5%. What may be worse, you will fear further inflation so tend to ask a little more just in case. When

everyone anticipates inflation, it is self-fulfilling.

Sen. Reading your Resolution, are you really  
McCaslin: telling us that the Federal Reserve Banking System is a private banking system?

Sen. Like most Americans, I believed the  
Metcalf: Federal Reserve was a part of the Federal government. It is not! It is a federally chartered private banking corporation which has by law - not by the Constitution, but by law - been given the power to control and issue the "money" used in the U.S.

Sen. How does the Federal Reserve create  
Guess: money?

Sen. This will have to be an over  
Metcalf: simplification; the actual operation is very complicated. However, this is an accurate summary of what happens.

The Federal government is going into debt about a billion dollars a week. Where does that money come from? The government prints a billion dollars worth of interest bearing U.S. Government bonds, takes them to the Federal Reserve, the Federal Reserve accepts them and places \$1 billion in a checking account. The government then writes checks to a total of \$1 billion.

The crucial question is: "Where was that \$1 billion just before they touched the computer and put it in the checking account?" The answer: "It didn't exist." We, the people, allow a private banking system to create money at will - out of absolutely nothing - to call it a loan to our government and then charge us interest on it forever.

Sen. Are you saying the Federal Reserve  
Quigg: Act gives to the national banking system as a whole the power to create money, in addition to what you have said about the Federal Reserve specifically?

Sen. Yes, the Fractional Reserve System  
Metcalf: implemented under the Federal Reserve Act of 1913 allows the banking system, as a system, to create money - to

expand the money supply. The authority to expand or contract the money supply by changing reserve requirements, given to a private banking system, puts our whole money system in fearful jeopardy.

I would urge you to remember the quote from Thomas Jefferson that I placed on your desks in the last session.

I believe that banking institutions are more dangerous to our liberties than standing armies. Already they have raised up a money aristocracy that has set the government at defiance. The issuing power should be taken from the banks and restored to the government, to whom it properly belongs.

Jefferson emphasized repeatedly that no private bank - whether chartered by the federal or a state government - should ever be permitted to issue currency or control credit; for - once entrusted with such power - they become superior to the nation itself.

Sen. Do you contend that we, the people,  
Vognild: are paying interest to a private banking system for use of our own government money?

Sen. Yes, and you bring up the most crucial  
Metcalf: point. I mentioned the creation of "checkbook money" by the Federal Reserve. As these checks from the \$1 billion of newly created money go out all over America, they become our money in circulation. Why are we paying interest to a private banking system for use of our own money? By what logic does any private group collect a tax from the people for the use of our own money? And - remember - the Federal Reserve System, which receives the interest, is allowed to set the rate of interest they receive!

Sen. The Federal Reserve Act delegates to  
Lysen: the Federal Reserve the power to create money. Are you contending that Congress does not have the constitutional authorization to delegate that power?

Sen. Now, we are down to the crux of the  
Metcalf: matter. We are all aware that power granted to a body may or may not be delegated to another body, agency or institution. Our most basic document, the U.S. Constitution, states in Article 1, section 8:

The Congress shall have the power to coin money and regulate the value thereof.

Nowhere is there the slightest hint of authorization to delegate that power even to another governmental institution - much less to a private banking system. That is absolutely outside the most broad interpretation possible.

The Constitution does not grant the authority to delegate the power to create money, and this is the heart of the resolution introduced in the Senate. This resolution, SCR 127, declares it the intent of the State of Washington to

cause an action to be filed in the U.S. Supreme Court challenging the constitutionality of the delegation of power embodied in the Federal Reserve Act of 1913. This action is a matter of monumental importance to the people of this state and of this nation, especially at this time of high interest rates and budget deficits at all levels - federal, state and in the businesses and homes all across this land.

Sen. Has there never been an independent  
Fleming: audit of the Federal Reserve?

Sen. It does seem incredible, but the Federal  
Metcalf: Reserve has never been subject to an independent audit. On several occasions, members of Congress and of the U.S. Senate have requested such an audit, but a way has always been found to avoid it.

Our action here must result in that audit.

## STATE OF WASHINGTON

47th LEGISLATURE  
SECOND EXTRAORDINARY  
SESSION

### ENGROSSED SENATE CONCURRENT RESOLUTION NO. 127

Offered by:

Senators Metcalf, Vognild, Rasmussen, Moore, McCaslin, Pullen, Guess, Hansen, Bauer, Lysen, Craswell and Fuller

WHEREAS, A sound money system is absolutely vital to a free people; and

WHEREAS, Inflation and exorbitant interest rates have historically been not only disastrous to the people but proof of an unsound money system and thus a real threat to established governments; and

WHEREAS, The present rampant inflation and exorbitant interest rates in the American economy are a clear and present danger to the people and to the governments of the State of Washington and the United States of America; and

WHEREAS, The purported statutory powers of the Federal Reserve System to create and loan money to the government of the United States, and to set interest rates are major factors in the

present inflation and the interest rate crisis; and

WHEREAS, Article 1, section 8, clause 5 of the United States Constitution grants to Congress the exclusive power "To coin money and regulate the value thereof;" and

WHEREAS, The Federal Reserve Act of 1913 and other acts of Congress purport to delegate to a federally chartered private banking system the authority to create money and to set interest rates; and

WHEREAS, The United States Constitution nowhere authorizes Congress to delegate such power, and

WHEREAS, There has never been an independent audit of the Federal Reserve System;

NOW, THEREFORE, BE IT RESOLVED, By the Senate of the State of Washington, the House concurring, that it is hereby the declared intent of the State of Washington to cause to be filed in the original jurisdiction of the Supreme Court of the United States:

(1) An action challenging the Constitutionality of the delegation of the power to create money to the Federal Reserve System; and

(2) An action requiring an independent audit of the Federal Reserve System.

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**ONLY SOVEREIGN STATE CAN ACT\*  
WHEN FEDERAL AGENTS VIOLATE UNITED STATES CONSTITUTION**

Now, we find Mr. Lincoln saying in his first Inaugural Address:

I do not forget the position assumed by some, the Constitutional questions are to be decided by the Supreme Court. Nor do I deny that such decisions must be binding in any case upon the parties of a suit. As to the object of that suit. While they are also entitled to very high respect and consideration in all parallel cases by all other departments of the government. And while it is obviously possible that such decision may be erroneous in any given case, still the evil effects flowing from it being limited to that particular case with a chance that it may be overruled and never become a precedent in other cases, can better be borne than the evils of a different practice. At the same time, continues Lincoln, the candid citizen must confess that if the policy of the government upon vital questions effecting the whole people is to be irrevocably fixed by decisions of the Supreme Court the instant they are made in ordinary litigation between parties and personal actions, then the people would have ceased to be their own rulers. Having to that extent practically resigned their government into the hands of that eminent tribunal. Nor is there in this view, concludes Lincoln, any assault upon the court or the judges. It is a duty from which they may not shrink to decide cases properly brought before them and it is no fault of theirs if others seek to turn their decision to political purposes.

Now, political purposes, of course, have to do with policy. And if we are to allow members of the Court who have only judicial power, not legislative power, to assume a role of telling us what to do in the legislative area, then we will be doing precisely what Lincoln was warning us against, namely, resigning our government into the hands of the members of the Court.

*\*Extract testimony by Attorney T. David Horton, Counsel, Committee to Restore the Constitution before Kansas State Senate Committee on the Judiciary, hearings on regional governance, Topeka, 23 August 1979.*

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They can't act as a court if they go beyond the authority specifically granted, but the members of the Court can do anything they see fit, and they can get the Clerk to put the seal of the Court on it and to the casual observer it might appear to be what the Court has done. However, if they lack authority, just as was found in the case of *Marbury v. Madison* with regard to a purported statute, what the Court attempts to do that is beyond its authority is void and it is just as void as a statute or an act of the administration would be.

*"Law repugnant to the Constitution is void... for I cannot call it law contrary to the first great principles of the social compact... (It) cannot be considered a rightful exercise of legislative authority."*

*U.S. Sup. Ct., Marbury vs Madison, 1803, 2 L. ed. 60; 1 Cra. 137; ref Whea; 246 & Wal 601*

Now, when it comes to deciding what kind of remedy to apply, again, I think that we can find some interesting and instructive material in considering the conclusions of those who were a little closer than we are today to the framers of the agreement. We have, for example, this passage out of the report of the Kentucky legislature of November 19, 1799, which says:

Whensoever the general government assumes undelegated powers, its acts are unauthoritative, void and of no force. That to this contract (that is the Constitution) each state exceeded as a state and is an integral party, its co-states forming as to itself the other party. That government created by this contract was not made the exclusive or final judge of the extent of the powers delegated to itself, since that would have made its discretion and not the Constitution the measure of its powers. But that, as in all other cases of compact among parties having no common judge, each party has an equal right to judge for itself as well of infraction as of the mode and measure of redress.

Now, returning to President James Madison we find in Mr. Madison's report with specific reference to the judiciary and the manner in which we may be departing from the heritage that most

of us have been taught to believe is a good one. Mr. Madison has said in his report:

If the decision of the judiciary be raised above the authority of the sovereign parties to the Constitution (of which Kansas is one) the decisions of the other departments not carried by the forms of the Constitution before the judiciary must be equally authoritative and final with the decisions of that department. However true, therefore, it may be that the judicial department is, in all questions submitted to it by the forms of the Constitution, to decide in the last resort, this resort must necessarily be deemed the last in

relation to the authorities of the other departments of the government, not in relation to the rights of the parties to the constitutional compact, from which the judicial, as well as the other departments, hold their delegated trust. On any other hypothesis, continues Madison, the delegation of the judicial power would annul the authority delegating it, and the concurrence of this department with the others in usurped powers, might subvert forever and beyond the possible reach of any rightful remedy, the very Constitution which all were instituted to preserve.

**FEDERAL RESERVE ACT: A CONSPIRACY AGAINST AMERICA**

Interest payments (tax money paid to the Federal Reserve System, a consortium of private bankers) are the third-largest component of the Federal budget, after Defense and Social Security, according to the Office of Management and Budget.

The Federal government spent a whopping one-hundred eleven billion, eight-hundred million dollars paying interest on the national debt in the 1983 budget year ending 30 September.

Gannet News Service, "Interest Drains Budget as Federal Debt Grows," 16 November 1983, reported that interest on the national debt is taking an ever-larger share of Federal funds, thirteen point eight percent of all spending in 1983.

The Federal Reserve Act (Act of December 23, 1913; 38 Stat: 251; 12 United States Code section 221 et seq.) is an unauthorized act by Congress, an agency of the sovereign states.

Being illegal, it must be put down by appropriate corrective action by the sovereign states.

Violations of the Constitution inherent in the Federal Reserve Act are illustrated in the following citations:

The Constitution of the United States, Article 1, section 8 provides that only the Congress of the United States shall have the power "to borrow Money on the credit of the United States."

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The Federal Reserve Act illegally transferred the power to borrow money on the credit of the United States to a consortium of private bankers, the Federal Reserve Board, in violation of the prohibitions of Article 1, section 8, Constitution of the United States.

The Constitution of the United States, Article 1, section 8, directs that only the Congress of the United States is permitted "to coin Money, regulate the Value thereof, and of foreign coin, and fix the Standard of Weights and Measures."

The Federal Reserve Act illegally transferred the power to coin money, regulate the value thereof, and of foreign coin, to a consortium of private bankers, the Federal Reserve Board, in violation of the prohibitions of Article 1, section 8, Constitution of the United States.

The Constitution of the United States, Article 1, section 1, provides that "all legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives."

The Congress of the United States is without authority to delegate any powers which it has received under the Constitution of the United States, established by the People of the United States.

*"The Government should create, issue and circulate all the money and currency needed to satisfy the spending power of the government and the buying power of the consumers."*

ABRAHAM LINCOLN

## ARKANSAS ACTS ON FED CITIZENS SEEK ESCAPE FROM IMPENDING ECONOMIC DEBACLE

First hearing on Arkansas' House Concurrent Resolution #18, "Urging the Congress of the United States to Repeal the Federal Reserve Act," introduced by Representative Jim Smithson, House Committee on Aging and Legislative Affairs, held 16 February, revealed that the Fed is a private banking cartel.

Pointing to a decision by the United States Court of Appeals, Ninth Circuit, in the case of, *Lewis v. United States*, Archibald Roberts, Lt. Col., AUS, ret., Director, Committee to Restore the Constitution, Inc., charged that, "Federal reserve banks are not federal instrumentalities . . . but are independent, privately owned and locally controlled corporations. . . ."

and,

"Each Federal Reserve Bank is a separate corporation owned by commercial banks in its region. The stockholding commercial banks elect two thirds of each Bank's nine member board of directors. The remaining three directors are appointed by the Federal Reserve Board. The Federal Reserve Board regulates the Reserve Banks, but direct supervision and control of each Bank is exercised by its board of directors."

Congressman Wright Patman, House Banking and Currency Committee, Congress of the United States, said in 1952:

"The Open Market Committee (of the Federal Reserve System) has the power to obtain, and does obtain, the printed money of the United States - Federal Reserve Notes - (free) from the Bureau of Engraving and Printing," quoted Colonel Roberts.

"The Fed exchanges these printed notes, which of course are not interest bearing, for United States Government obligations that are interest bearing. After making the exchange," Patman explained, "the interest bearing obligations are retained by the 12 Federal Reserve banks and the interest collected annually on these Government obligations goes into the funds of the 12 Federal Reserve Banks."

"U.S. Treasury financial report for 1982 placed the Federal debt (money borrowed from the Federal Reserve System) at one trillion, seventy billion, two hundred forty-one million dollars," said Roberts. "Interest paid to Federal Reserve stockholders by American taxpayers on the \$1,070,241,000,000 debt," Roberts stated in his testimony, "is one hundred fifteen billion, eight hundred million dollars."

Charging that the federal debt is a lien on all property, both public and private, in the United States, Roberts said that the Open Market Committee of the Federal Reserve System determines the course of the U.S. economy by setting interest rates charged by member banks,

regulating the volume of Federal Reserve notes in circulation, determining the value of money, regulating the stock market, and by controlling other economic factors.

"The Fed," he stated, "controls the government and determines whether American citizens will live in a prosperous or bankrupt society."

Congress has no authority to transfer these vast powers to a cartel of private bankers. The Constitution is very specific about this. Article I, section eight of the Constitution of the United States directs that, "The Congress is authorized to borrow money on the credit of the United States," and, ". . . to coin money and regulate the value thereof."

Quoting *Constitution Law (16 Am Jur 2d)*, Roberts said,

The general rule is that an unconstitutional statute, whether federal or state, though having the form and name of law, is in reality no law, but is wholly void and ineffective for any purpose, since unconstitutionality dates from the time of its enactment, and not merely from the date of the decision so branding it. An unconstitutional law, in legal contemplation, is as inoperative as if it had never been passed.<sup>7</sup>

Being unconstitutional, Roberts told panel members, the Federal Reserve Act (H.R. 7837) must be put down.

The State of Arkansas, operating at its highest sovereign capacity, has the power to correct the "unconstitutional" Federal Reserve Act of the 1913 Congress by directing its agents in Washington to "enact such legislation as is necessary to repeal the Federal Reserve," as they are authorized to do under the provisions of section 30 of the Act.

Corrective action in the twenty-fifth state, inspired by a coalition of conservative organizations headed by Mathias Frank, is supported by parallel legislation in Arizona, Washington, Nebraska, North Carolina, South Carolina, Montana, Pennsylvania, Utah, Alabama, Idaho, Illinois, Texas, Virginia, Oregon, and Indiana.

In special session, the Arkansas House of Representatives heard Roberts summarize the effect on the state's economy passage of HCR #18

would ultimately have. By supporting U.S. Congressman Ron Paul's bill to rescind the Federal Reserve Act, Arkansas agriculture would be energized, business and industry rejuvenated, and the freedoms of person and property guaranteed to the people of Arkansas by the Constitution would be restored and preserved."

### EXHIBITS

<sup>1</sup>*Lewis v. United States, No. 80-5905, United States Court of Appeals, Ninth Circuit, 19 April 1982, beginning on this page.*

<sup>7</sup>*Constitutional Law (16 Am Jur 2d), "D.Effect of Totally or Partially Unconstitutional Statutes," "1. Total Unconstitutionality," beginning on page 47.*

### EXHIBIT 1

#### AMENDED OPINION *LEWIS v. UNITED STATES*

John L. LEWIS, Plaintiff/Appellant,  
v.  
UNITED STATES of America,  
Defendant/Appellee.

No. 80-5905.

United States Court of Appeals,  
Ninth Circuit.

Submitted March 2, 1982.

Decided April 19, 1982.

As Amended June 24, 1982.

Plaintiff, who was injured by vehicle owned and operated by a federal reserve bank, brought action alleging jurisdiction under the Federal Tort Claims Act. The United States District Court for the Central District of California, David W. Williams, Jr., dismissed holding that federal reserve bank was not a federal agency within meaning of Act and that the court therefore lacked subject matter jurisdiction. Appeal was taken. The Court of Appeals, Poole, Circuit Judge, held that federal reserve banks are not federal instrumentalities for purposes of the Act, but are independent, privately owned and locally controlled corporations.

Affirmed.

#### 1. United States — 78(4)

There are no sharp criteria for determining whether an entity is a federal agency within meaning of the Federal Tort Claims Act, but the

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critical factor is existence of federal government control over "detailed physical performance" and "day to day operation" of an entity. 28 U.S.C.A. §1346(b).

## 2. United States — 78(4)

Federal reserve banks are not federal instrumentalities for purposes of a Federal Tort Claims Act, but are independent, privately owned and locally controlled corporations in light of fact that direct supervision and control of each bank is exercised by board of directors, federal reserve banks, though heavily regulated, are locally controlled by their member banks, banks are listed neither as "wholly owned" government corporations nor as "mixed ownership" corporations; federal reserve banks receive no appropriate funds from Congress and the banks are empowered to sue and be sued in their own names. 28 U.S.C.A. § 1346(b); Federal Reserve Act §§ 4, 10(a, b), 13, 13a, 13b, 14, 14(a-g), 16, 12 U.S.C.A. §§ 301, 341-360; 12 U.S.C.A. § 361; Government Corporation Control Act, §§ 101, 201, 31 U.S.C.A. §§ 846, 856.

## 3. United States — 78(4)

Under the Federal Tort Claims Act, federal liability is narrowly based on traditional agency principles and does not necessarily lie when tortfeasor simply works for an entity, like the Reserve Bank, which performs important activities for the government. 28 U.S.C.A. § 1346(b).

## 4. Taxation — 6

The Reserve Banks are deemed to be federal instrumentalities for purposes of immunity from state taxation.

## 5. States — 4.15

### Taxation — 6

Tests for determining whether entity is federal instrumentality for purposes of protection from state or local action or taxation, is very broad; whether entity performs important governmental function.

Appeal from the United States District Court for the Central District of California.

Before POOLE and BOOCHEVER, Circuit Judges, and SOLOMON, District Judge.\*

POOLE, Circuit Judge:

On July 27, 1979, appellant John Lewis was

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injured by a vehicle owned and operated by the Los Angeles branch of the Federal Reserve Bank of San Francisco. Lewis brought this action in district court alleging jurisdiction under the Federal Tort Claims Act (the Act), 28 U.S.C. § 1346(b). The United States moved to dismiss for lack of subject matter jurisdiction. The district court dismissed, holding that the Federal Reserve Bank is not a federal agency within the meaning of the Act and that the court therefore lacked subject matter jurisdiction. We affirm.

In enacting the Federal Tort Claims Act, Congress provided a limited waiver of the sovereign immunity of the United States for certain torts of federal employees. *United States v. Orleans*, 425 U.S. 807, 813, 96 S.Ct. 1971, 1975, 48 L.Ed.2d 390 (1976). Specifically, the Act creates liability for injuries "caused by the negligent or wrongful act or omission" of an employee of any federal agency acting within the scope of his office or employment. 28 U.S.C. §§ 1346(b), 2671. "Federal agency" is defined as:

the executive departments, the military departments, independent establishments of the United States, and corporations acting primarily as instrumentalities of the United States, but does not include any contractors with the United States.

28 U.S.C. § 2671. The liability of the United States for the negligence of a Federal Reserve Bank employee depends, therefore, on whether the Bank is a federal agency under § 2671.

[1,2] There are no sharp criteria for determining whether an entity is a federal agency within the meaning of the Act, but the critical factor is the existence of federal government control over the "detailed physical performance" and "day to day operation" of the entity. *United States v. Orleans*, 425 U.S. 807, 814, 96 S.Ct. 1971, 1975, 48 L.Ed.2d 390 (1976), *Logue v. United States*, 412 U.S. 521, 528, 93 S.Ct. 2215, 2219, 37 L.Ed.2d 121 (1973). Other factors courts have considered include whether the entity is an independent corporation, *Pearl v. United States*, 230 F.2d 243 (10th Cir. 1956), *Freeling v. Federal Deposit Insurance Corporation*, 221 F.Supp. 955 (W.D. Okla. 1962), *aff'd per curiam*, 326 F.2d 971 (10th Cir. 1963), whether the government is involved in the entity's finances. *Goddard v. District of Columbia Redevelopment Land Agency*, 287 F.2d 343, 345 (D.C.Cir. 1961), *cert. denied*, 366 U.S. 910, 81 S.Ct. 1085, 6 L.Ed.2d 235 (1961), *Freeling*

*v. Federal Deposit Insurance Corporation*, 221 F.Supp. 955, and whether the mission of the entity furthers the policy of the United States, *Goddard v. District of Columbia Redevelopment Land Agency*, 287 F.2d at 345. Examining the Organization and function of the Federal Reserve Banks and applying the relevant factors, we conclude that the Reserve Banks are not federal instrumentalities for purposes of the FTCA, but are independent, privately owned and locally controlled corporations.

Each Federal Reserve Bank is a separate corporation owned by commercial banks in its region. The stockholding commercial banks elect two-thirds of each Bank's nine member board of directors. The remaining three directors are appointed by the Federal Reserve Board. The Federal Reserve Board regulates the Reserve Banks, but direct supervision and control of each Bank is exercised by its board of directors. 12 U.S.C. § 301. The directors enact by laws regulating the manner of conducting general Bank business, 12 U.S.C. § 341, and appoint officers to implement and supervise daily Bank activities. These activities include collecting and clearing checks, making advances to private and commercial entities, holding reserves for members banks, discounting the notes of members banks, and buying and selling securities on the open market. See 12 U.S.C. §§ 341-361.

Each Bank is statutorily empowered to conduct these activities without day-to-day direction from the federal government. Thus, for example, the interest rates on advances to member banks, individuals, partnerships, and corporations are set by each Reserve Bank and their decisions regarding the purchase and sale of securities are likewise independently made.

It is evident from the legislative history of the Federal Reserve Act that Congress did not intend to give the federal government direction over the daily operation of the Reserve Banks:

It is proposed that the Government shall retain sufficient power over the reserve banks to enable it to exercise a direct authority when necessary to do so, but that it shall in no way attempt to carry on through its own mechanism the routine operations and banking which require detailed knowledge of local and individual credit and which determine the funds of the community in any given instance. In other

words, the reserve bank plan retains to the Government power over the exercise of the broader banking functions, while it leaves to individuals and privately owned institutions the actual direction of routine.

H.R. Report No. 69, 63 Cong. 1st Sess. 1819 (1913).

The fact that the Federal Reserve Board regulates the Reserve Banks does not make them federal agencies under the Act. In *United States v. Orleans*, 425 U.S. 807, 96 S.Ct. 1971, 48 L.Ed.2d 390 (1976), the Supreme Court held that a community action agency was not a federal agency or instrumentality for purposes of the Act, even though the agency was organized under federal regulations and heavily funded by the federal government. Because the agency's day to day operation was not supervised by the federal government, but by local officials, the Court refused to extend federal tort liability for the negligence of the agency's employees. Similarly, the Federal Reserve Banks, though heavily regulated, are locally controlled by their member banks. Unlike typical federal agencies, each bank is empowered to hire and fire employees at will. Bank employees do not participate in the Civil Service Retirement System. They are covered by worker's compensation insurance, purchased by the Bank, rather than the Federal Employees Compensation Act. Employees traveling on Bank business are not subject to federal travel regulations and do not receive government employee discounts on lodging and services.

The Banks are listed neither as "wholly owned" government corporations under 31 U.S.C. § 846 nor as "mixed ownership" corporations under 31 U.S.C. § 856, a factor considered in *Pearl v. United States*, 230 F.2d 243 (10th Cir. 1956), which held that the Civil Air Patrol is not a federal agency under the Act. Closely resembling the status of the Federal Reserve Bank, the Civil Air Patrol is a non-profit, federally chartered corporation organized to serve the public welfare. But because Congress' control over the Civil Air Patrol is limited and the corporation is not designated as a wholly owned or mixed ownership government corporation under 31 U.S.C. §§ 846 and 856, the court concluded that the corporation is a non-governmental, independent entity, not covered under the Act.

Additionally, Reserve Banks, as privately owned entities, receive no appropriated funds

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from Congress. Cf. *Goddard v. District of Columbia Redevelopment Land Agency*, 287 F.2d 343, 345 (D.C.Cir. 1961), cert. denied, 366 U.S. 910, 81 S.Ct. 1085, 6 L.Ed.2d 235 (1961) (court held land redevelopment agency was federal agency for purposes of the Act in large part because agency received direct appropriated funds from Congress.)

Finally, the Banks are empowered to sue and be sued in their own name. 12 U.S.C. § 341. They carry their own liability insurance and typically process and handle their own claims. In the past, the Banks have defended against tort claims directly, through private counsel, not government attorneys, e.g., *Banco De Espana v. Federal Reserve Bank of New York*, 114 F.2d 438 (2d Cir. 1940); *Huntington Towers v. Franklin National Bank*, 559 F.2d 863 (2d Cir. 1977); *Bollow v. Federal Reserve Bank of San Francisco*, 650 F.2d 1093 (9th Cir. 1981), and they have never been required to settle tort claims under the administrative procedure of 28 U.S.C. § 2672. The waiver of sovereign immunity contained in the Act would therefore appear to be inapposite to the Banks who have not historically claimed or received general immunity from judicial process.

[3] The Reserve Banks have properly been held to be federal instrumentalities for some purposes. In *United States v. Hollingshead*, 672 F.2d 751 (9th Cir. 1982), this court held that a Federal Reserve Bank employee who was responsible for recommending expenditure of federal funds was a "public official" under the Federal Bribery Statute. That statute broadly defines public official to include any person acting "for or on behalf of the Government." S. Rep. No. 2213, 87th Cong., 2nd Sess. (1962), reprinted in [1962] U.S. Code Cong. & Ad. News 3852 3856. See 18 U.S.C. § 201(a). The test for determining status as a public official turns on whether there is "substantial federal involvement" in the defendant's activities. *United States v. Hollingshead*, 672 F.2d at 754. In contrast, under the FTCA, federal liability is narrowly based on traditional agency principles and does not necessarily lie when the tortfeasor simply works for an entity, like the Reserve Banks, which perform important activities for the government.

[4, 5] The Reserve Banks are deemed to be federal instrumentalities for purposes of immunity from state taxation. *Federal Reserve Bank of Boston v. Commissioner of Corporations &*

*Taxation*, 499 F.2d 60 (1st Cir. 1974), after remand, 520 F.2d 221 (1st Cir. 1975); *Federal Reserve Bank of Minneapolis v. Register of Deeds*, 288 Mich. 120, 284 N.W. 667 (1939). The test for determining whether an entity is a federal instrumentality for purposes of protection from state or local action or taxation, however, is very broad: whether the entity performs an important governmental function. *Federal Land Bank v. Bismarck Lumber Co.*, 314 U.S. 95, 102, 62 S.Ct. 1, 5, 86 L.Ed. 65 (1941); *Rust v. Johnson*, 597 F.2d 174, 178 (9th Cir. 1979), cert. denied, 444 U.S. 964, 100 S.Ct. 450, 62 L.Ed.2d 376 (1979). The Reserve Banks, which further the nation's fiscal policy, clearly perform an important governmental function.

Performance of an important governmental function, however, is but a single factor and not determinative in tort claims actions. *Federal Reserve Bank of St. Louis v. Metrocentre Improvement District*, 657 F.2d 183, 185 n.2 (8th Cir. 1981), Cf. *Pearl v. United States*, 230 F.2d 243 (10th Cir. 1956). State taxation has traditionally been viewed as a greater obstacle to an entity's ability to perform federal functions than exposure to judicial process; therefore tax immunity is liberally applied. *Federal Land Bank v. Priddy*, 294 U.S. 229, 235, 55 S.Ct. 705, 708, 79 L.Ed. 1408 (1955). Federal tort liability, however, is based on traditional agency principles and thus depends upon the principal's ability to control the actions of his agent, and not simply upon whether the entity performs an important governmental function. See *United States v. Orleans*, 425 U.S. 807, 815, 96 S.Ct. 1971, 1976, 48 L.Ed.2d 390 (1976), *United States v. Logue*, 412 U.S. 521, 527-28, 93 S.Ct. 2215, 2219, 37 L.Ed.2d 121 (1973).

*Brinks Inc. v. Board of Governors of the Federal Reserve System*, 466 F.Supp. 116 (D.D.C. 1979), held that a Federal Reserve Bank is a federal instrumentality for purposes of the Service Contract Act, 41 U.S.C. § 35. Citing *Federal Reserve Bank of Boston and Federal Reserve Bank of Minneapolis*, the court applied the "important government function" test and concluded that the term "Federal Government" in the Service Contract Act must be "liberally construed to effectuate the Act's humanitarian purposes of providing minimum wage and fringe benefit protection to individuals performing contracts with the federal government." *Id.* 288 Mich. at 120, 284 N.W.2d 667.

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Such a liberal construction of the term "federal agency" for purposes of the Act is unwarranted. Unlike in *Brinks*, plaintiffs are not without a forum in which to seek a remedy, for they may bring an appropriate state tort claim directly against the Bank; and if successful, their prospects of recovery are bright since the institutions are both highly solvent and amply insured.

For these reasons we hold that the Reserve Banks are not federal agencies for purposes of the Federal Tort Claims Act and we affirm the judgment of the district court.

AFFIRMED.

\**The Honorable Gus J. Solomon, Senior District Judge for the District of Oregon, sitting by designation.*

## EXHIBIT 2

### CONSTITUTIONAL LAW 16 Am Jur 2d

#### D. Effect of Totally or Partially Unconstitutional Statutes

##### 1. Total Unconstitutionality

##### § 256. Generally.

The general rule is that an unconstitutional statute, whether federal<sup>39</sup> or state,<sup>40</sup> though having the form and name of law, is in reality no law,<sup>41</sup> but is wholly void,<sup>42</sup> and ineffective for any purpose,<sup>43</sup> since unconstitutionality dates from the time of its enactment, and not merely from the date of the decision so branding it,<sup>44</sup> an unconstitutional law, in legal contemplation, is as inoperative as if it had never been passed.<sup>45</sup> Such a statute leaves the question that it purports to settle just as it would be had the statute not been enacted.<sup>46</sup> No repeal of such an enactment is necessary.<sup>47</sup>

Since an unconstitutional law is void, the general principles follow that it imposes no duties,<sup>48</sup> confers no rights,<sup>49</sup> creates no office,<sup>50</sup> bestows no power or authority on anyone,<sup>51</sup> affords no protection,<sup>52</sup> and justifies no acts performed under it.<sup>53</sup> A contract which rests on an unconstitutional statute creates no obligation to be impaired by subsequent legislation.<sup>54</sup>

No one is bound to obey an unconstitutional law<sup>55</sup> and no courts are bound to enforce it.<sup>56</sup> Persons convicted and fined under a statute subsequently held unconstitutional may recover the fines paid.<sup>57</sup>

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A void act cannot be legally inconsistent with a valid one.<sup>58</sup> And an unconstitutional law cannot operate to supersede any existing valid law.<sup>59</sup> Indeed, insofar as a statute runs counter to the fundamental law of the land, it is superseded thereby.<sup>60</sup> Since an unconstitutional statute cannot repeal or in any way affect an existing one,<sup>61</sup> if a repealing statute is unconstitutional, the statute which it attempts to repeal remains in full force and effect.<sup>62</sup> And where a clause repealing a prior law is inserted in an act, which act is unconstitutional and void, the provision for the repeal of the prior law will usually fall with it and will not be permitted to operate as repealing such prior law.<sup>63</sup>

The general principles stated above apply to the constitutions as well as to the laws of the several states insofar as they are repugnant to the Constitution and laws of the United States.<sup>64</sup> Moreover, a construction of a statute which brings it in conflict with a constitution will nullify it as effectually as if it had, in express terms, been enacted in conflict therewith.<sup>65</sup>

An unconstitutional portion of a statute may be examined for the purpose of ascertaining the scope and effect of the valid portions.<sup>66</sup>

<sup>39</sup>Under Article VI of the United States Constitution, it is not the laws of the United States, but the laws of the United States which shall be made in pursuance of the Constitution, that bind the judges in every state. *People v Long I.R.R.*, 113 Misc 700, 185 NYS 594, revd on other grounds 195 App Div 897, 186 NYS 589.

<sup>40</sup>*Atkins v Hertz Drivursel' Stations, Inc.* 261 NY 352, 185 NE 408, affd 291 US 641, 78 L Ed 1039, 54 S Ct 437.

<sup>41</sup>*Chicago, I. & L.R. Co. v Hackett*, 228 US 559, 57 L Ed 966, 33 S Ct 581; *United States v Realty Co.*, 163 US 427, 41 L Ed 215, 16 S Ct 1120; *Huntington v Worthen*, 120 US 97, 30 L Ed 588, 7 S Ct 469; *Norton v Shelby County*, 118 US 425, 30 L Ed 178, 6 S Ct 1121; *Ex parte Royall*, 117 US 241, 29 L Ed 868, 6 S Ct 734; *Hirsh v Block*, 50 App DC 56, 267 F 614, 11 ALR 1238, cert den 254 US 640, 65 L Ed 452, 41 S Ct 13; *Texas Co. v State*, 31 Ariz 485, 254 P 1060, 53 ALR 258; *Quong Ham Wah Co. v Industrial Acci. Com.*, 184 Cal 26, 192 P 1021, 12 ALR 1190, writ dism 255 US 445, 65 L Ed 723, 41 S Ct 373; *State ex*

rel. *Nuveen v Greer*, 88 Fla 249, 102 So 739, 37 ALR 1298; *Commissioners of Roads & Revenues v Davis*, 213 Ga 792, 102 SE2d 180; *Grayson-Robinson Stores, Inc. v Oneida, Ltd.*, 209 Ga 613, 75 SE2d 161, cert den 346 US 823, 98 L Ed 348, 74 S Ct 39; *State v Garden City*, 74 Idaho 513, 265 P2d 328; *Security Sav Bank v Connell*, 198 Iowa 564, 200 NW 8, 36 ALR 486; *Flournoy v First Nat. Bank*, 197 La 1067, 3 So 2d 244; Re Opinion of Justices, 269 Mass 611, 168 NE 536, 66 ALR 1477; State ex rel. *Miller v O'Malley*, 342 Mo 641, 117 SW2d 319; *Garden of Eden Drainage Dist. v Bartlett Rust Co.*, 330 Mo 554, 50 SW2d 627, 84 ALR 1078; *Anderson v Lehmkuhl*, 119 Neb 451, 229 NW 773; *Daly v Beery*, 45 ND 287, 178 NW 104; *Threadgill v Cross*, 26 Okla 403, 109 P 558; Ex parte Hollman, 79 SC 9, 60 SE 19; *Atkinson v Southern Express Co.*, 94 SC 444, 78 SE 516; *Henry County v Standard Oil Co.*, 167 Tenn 485, 71 SW2d 683, 93 ALR 1483; *Peay v Nolan*, 157 Tenn 222, 7 SW2d 815, 60 ALR 408; State ex rel. *University of Utah v Candland*, 36 Utah 406, 104 P 285; *Miller v State Entomologist*, 146 Va 175, 135 SE 813, 67 ALR 197, affd 276 US 272, 72 L Ed 568, 48 S Ct 246; *Bonnett v Vallier*, 136 Wis 193, 116 NW 885; *Cincinnati, W. & Z. R. Co. v Commissioners of Clinton County*, 1 Ohio 77.

"An unconstitutional law is void and is as no law. An offense created by it is no crime. A conviction under it is not merely erroneous, but is illegal and void and cannot be a legal cause of imprisonment." Ex parte Siebold, 100 US 371, 25 L Ed 717.

A discriminatory law is, equally with the other laws offensive to the constitution, no law at all. *Quong Ham Wah Co. v Industrial Acci. Com.*, 184 Cal 26, 192 P 1021, 12 ALR 1190, writ dismissed 255 US 445, 65 L Ed 723, 41 S Ct 373.

"Ex parte Royall, 117 US 241, 29 L Ed 868, 6 S Ct 734; Ex parte Siebold, 100 US 371, 25 L Ed 717; *Cohens v Virginia*, 19 US 264, 5 L Ed 257; *State ex rel. Nuveen v Greer*, 88 Fla 249, 102 So 739, 37 ALR 1298; *Commissioners of Roads & Revenues v Davis*, 213 Ga 792, 102 SE2d 180; *Grayson-Robinson Stores, Inc. v Oneida, Ltd.*, 209 Ga 613, 75 SE2d 161, cert den 346 US 823, 98 L Ed 348, 74 S Ct 39; *Hillman v Pocatello*, 74 Idaho 69, 256 P2d 1072; *Henderson v Lieber's Ex'r*, 175 Ky 15, 192 SW 830, 9 ALR 620; *Flournoy v First Nat. Bank*, 197 La 1067, 3 So 2d 244; Re Opinion of Justices, 269 Mass 611, 168 NE 536, 66 ALR

1477; *President, Directors & Co. of Michigan State Bank v Hastings (Mich)* 1 Dougl 225; *Garden of Eden Drainage Dist. v Bartlett Rust Co.*, 330 Mo 554, 50 SW2d 627, 84 ALR 1078; *Anderson v Lehmkuhl*, 119 Neb 451, 229 NW 773; State ex rel. *Stevenson v Tuflly*, 20 Nev 427, 22 P 1054; *State v Williams*, 146 NC 618, 61 SE 61; *Daly v Beery*, 45 ND 287, 178 NW 104; *Atkinson v Southern Express Co.*, 94 SC 444, 78 SE 516; Ex parte Hollman, 79 SC 9, 60 SE 19; *Henry County v Standard Oil Co.*, 167 Tenn 485, 71 SW2d 683, 93 ALR 1483; *Peay v Nolan*, 157 Tenn 222, 7 SW2d 815, 60 ALR 408; *Miller v Davis*, 136 Tex 299, 150 SW2d 973, 136 ALR 177; *Almond v Day*, 197 Va 419, 89 SE2d 851; *Miller v State Entomologist*, 146 Va 175, 135 SE 813, 67 ALR 197, affd 276 US 272, 72 L Ed 568, 48 S Ct 246; *Servonitz v State*, 133 Wis 231, 113 NW 277; State ex rel. *Hostetter v Hunt*, 132 Ohio St 568, 8 Ohio Ops 558, 9 NE2d 676, reh den.

Unconstitutionality is illegality of the highest order. *Board of Zoning Appeals v Decatur Co. of Jehovah's Witnesses*, 233 Ind 83, 117 NE2d 115.

"*State v One Oldsmobile Two-Door Sedan*, 227 Minn 280, 35 NW2d 525; *Grieb v Department of Liquor Control*, 153 Ohio St 77, 41 Ohio Ops 148, 90 NE2d 691.

An unconstitutional statute is of no effect and binding on no one. Ex parte Messer, 87 Fla 92, 99 So 330.

"State ex rel. *Nuveen v Greer*, 88 Fla 249, 102 So 739, 37 ALR 1298; State ex rel. *Miller v O'Malley*, 342 Mo 641, 117 SW2d 319; *Bonham v Hamilton*, 66 Ohio St 82, 63 NE 597.

"*Chicago, I. & L. R. Co. v Hackett*, 228 US 559, 57 L Ed 966, 33 S Ct 581; *Norton v Shelby County*, 118 US 425, 30 L Ed 178, 6 S Ct 1121; *Louisiana v Pilsbury*, 105 US 278, 26 L Ed 1090; *Gunn v Barry*, 82 US 610, 21 L Ed 212; *Hirsh v Block*, 50 App DC 56, 267 F 614, 11 ALR 1238, cert den 254 US 640, 65 L Ed 452, 41 S Ct 13; *Texas Co. v State*, 31 Ariz 485, 254 P 1060, 53 ALR 258; *Morgan v Cook* 211 Ark 755, 202 SW2d 355; *Connecticut Baptist Convention v McCarthy*, 128 Conn 701, 25 A2d 656; *Commissioners of Roads & Revenues v Davis*, 213 Ga 792, 102 SE2d 180; *Grayson-Robinson Stores, Inc. v Oneida, Ltd.*, 209 Ga 613 75 SE2d 161, cert den 346 US 823, 98 L Ed 348, 74 S Ct 39; *Security Sav. Bank v Connell*, 198 Iowa 564, 200 NW 8, 36 ALR 486; *Flournoy v First Nat. Bank*, 197 La

1067, 3 So 2d 244; *Cooke v Iverson*, 108 Minn 388, 122 NW 251; *Clark v Grand Lodge, B.R.T.*, 328 Mo 1084, 43 SW2d 404, 88 ALR 150; *St. Louis v Polar Wave Ice & Fuel Co.*, 317 Mo 907, 296 SW 993, 54 ALR 1082; *Anderson v Lehmkuhl*, 119 Neb 451, 229 NW 773; *Daly v Beery*, 45 ND 287, 178 NW 104; State ex rel. *Tharel v Board of County Com'rs*, 188 Okla 184, 107 P2d 542; *Atkinson v Southern Express Co.*, 94 SC 444, 78 SE 516; *Henry County v Standard Oil Co.*, 167 Tenn 485, 71 SW2d 683, 93 ALR 1483; State ex rel. *University of Utah v Candland*, 36 Utah 406, 104 P 285; *Bonnett v Vallier*, 136 Wis 193, 116 NW 885; *Brandenstein v Hoke*, 101 Cal 131, 35 P 562; State ex rel. *West v Butler*, 70 Fla 102, 69 So 771; *Briggs v Campbell, Wyant & Cannon Foundry Co.*, 2 Mich App 204, 139 NW2d 336, affd 379 Mich 160, 150 NW2d 752; State ex rel. *Allison v Garver*, 66 Ohio St 555, 64 NE 573.

"*Commissioners of Roads & Revenues v Davis*, 213 Ga 792, 102 SE2d 180; *Grayson-Robinson Stores, Inc. v Oneida, Ltd.*, 209 Ga 613, 75 SE2d 161, cert den 346 US 823, 98 L Ed 348, 74 S Ct 39; *Flournoy v First Nat. Bank*, 197 La 1067, 3 So 2d 244; *Clark v Grand Lodge, B.R.T.*, 328 Mo 1084, 43 SW2d 404, 88 ALR 150; *Cleveland v Watertown*, 99 Misc 66, 165 NYS 305, affd 179 App Div 954, 166 NYS 286, revd 222 NY 159, 118 NE 500; *Atkinson v Southern Express Co.*, 94 SC 444, 78 SE 516.

"A nullity needs no repeal. *Nicol v Board of Education*, 125 Misc 678, 211 NYS 749.

"*Norton v Shelby County*, 118 US 425, 30 L Ed 178, 6 S Ct 1121; *Security Sav. Bank v Connell*, 198 Iowa 564, 200 NW 8, 36 ALR 486; *Flournoy v First Nat. Bank*, 197 La 1067, 3 So 2d 244; *Kesbec, Inc. v Taylor*, 253 App Div 353, 2 NYS2d 241, mod on other grounds 278 NY 293, 16 NE2d 288, 119 ALR 536, reh den 278 NY 716, 17 NE2d 136; *Anderson v Lehmkuhl*, 119 Neb 451, 229 NW 773; *Daly v Beery*, 45 ND 287, 178 NW 104; *Henry County v Standard Oil Co.*, 167 Tenn 485, 71 SW2d 683, 93 ALR 1483; State ex rel. *University of Utah v Candland*, 36 Utah 406, 104 P 285.

"*Chicago, I. & L.R. Co. v Hackett*, 228 US 559, 57 L Ed 966, 33 S Ct 581; *Norton v Shelby County*, 118 US 425, 30 L Ed 178, 6 S Ct 1121; *Hirsh v Block*, 50 App DC 56, 267 F 614, 11 ALR 1238, cert den 254 US 640, 65 L Ed 452, 41 S Ct 13; *Smith v Costello*, 77 Idaho 205, 290 P2d 742,

56 ALR2d 1020; *Security Sav. Bank v Connell*, 198 Iowa 564, 200 NW 8, 36 ALR 486; *Flournoy v First Nat. Bank*, 197 La 1067, 3 So 2d 244; *Garden of Eden Drainage Dist. v Bartlett Rust Co.*, 330 Mo 554, 50 SW2d 627, 84 ALR 1078; *St. Louis v Polar Wave Ice & Fuel Co.*, 317 Mo 907, 296 SW 993, 54 ALR 1082; *Watkins v Dodson*, 159 Neb 745, 68 NW2d 508; State ex rel. *Charleston, C. & C.R. Co. v Whitesides*, 30 SC 579, 9 SE 661; *Kesbec, Inc. v Taylor*, 253 App Div 353, 2 NYS2d 241, mod on other grounds 278 NY 293, 16 NE2d 288, 119 ALR 536, reh den 278 NY 716, 17 NE2d 136; *Henry County v Standard Oil Co.*, 167 Tenn 485, 71 SW2d 683, 93 ALR 1483.

Under Nebraska law an unconstitutional statute is an utter nullity, is void from the date of its enactment, and is incapable of creating any rights. *Propst v Board of Educational Lands & Funds (DC Neb)* 103 F supp 457, app dismissed 343 US 901, 96 L Ed 1321, 72 S Ct 636, reh den 343 US 937, 96 L Ed 1344, 72 S Ct 769.

Compare *Swijt v Calnan*, 102 Iowa 206, 71 NW 233, holding that while no right may be based upon an unconstitutional statute, part of its provisions may be considered in construing other provisions confessedly good, in arriving at the correct interpretation of the latter.

As to the effect of, and rights under, a judgment based upon an unconstitutional law, see 46 Am Jur 2d, JUDGMENTS § 19; as to the res judicata effect of such a judgment, see 46 Am Jur 2d, JUDGMENTS § 441.

"*Norton v Shelby County*, 118 US 425, 30 L Ed 178, 6 S Ct 1121; *Security Sav. Bank v Connell*, 198 Iowa 564, 200 NW 8, 36 ALR 486; *Flournoy v First Nat. Bank*, 197 La 1067, 3 So 2d 244.

"*Felix v Board of Com'rs*, 62 Kan 832, 62 P 667; *Henderson v Lieber's Ex'r*, 175 Ky 15, 192 SW 830, 9 ALR 620; *Flournoy v First Nat Bank*, 197 La 1067, 3 So 2d 244; *Anderson v Lehmkuhl*, 119 Neb 451, 229 NW 773; *Daly v Beery*, 45 ND 287, 178 NW 104.

"*Norton v Shelby County*, 118 US 425, 30 L Ed 178, 6 S Ct 1121; *Huntington v Worthen*, 120 US 97, 30 L Ed 588, 7 S Ct 469; *Osborn v President, Directors & Co. of Bank*, 22 US 738, 6 L Ed 204; *Smith v Costello*, 77 Idaho 205, 290 P2d 742, 56 ALR2d 1020; *Board of Highway Com'rs v Bloomington*, 253 Ill 164, 97 NE 280; *Security Sav. Bank v Connell*, 198 Iowa 564, 200 NW 8, 36

ALR 486; *Flournoy v First Nat. Bank*, 197 La 1067, 3 So 2d 244; *Flournoy v First Nat. Bank*, 197 La 1067, 3 So 2d 244; *St. Louis v Polar Wave Ice & Fuel Co.*, 317 Mo 907, 296 SW 993, 54 ALR 1082; *Anderson v Lehmkuhl*, 119 Neb 451, 229 NW 773; *State v Williams*, 146 NC 618, 61 SE 61; *Daly v Beery* 45 ND 287, 178 NW 104; *Atkinson v Southern Express Co.*, 94 SC 444, 78 SE 516; *Sharber v Florence*, 131 Tex 341, 115 SW2d 604; *State ex rel. University of Utah v Candland*, 36 Utah 406, 104 P 285; *Bonnett v Vallier*, 136 Wis 193, 116 NW 885; *Little Rock & F.S. Railway v Huntington*, 120 US 160, 30 L Ed 591, 7 S Ct 517.

It is said that all persons are presumed to know the law, meaning that ignorance of the law excuses no one; if any person acts under an unconstitutional statute, he does so at his peril and must take the consequences. *Sumner v Beeler*, 50 Ind 341.

As to the limitations to which this rule is subject, see §257, infra.

<sup>10</sup>*Osborn v President, Directors & Co. of Bank*, 22 US 738, 6 L Ed 204; *Millet v Rizzo* (La App) 2 So 2d 244; *Board of Managers v Wilmington*, 237 NC 179, 74 SE2d 749; *State ex rel. Tharel v Board of County Com'rs*, 188 Okla 184, 107 P2d 542; *Sharber v Florence*, 131 Tex 341, 115 SW2d 604; *People ex rel. McLees v Berner*, 170 Misc 501, 10 NYS2d 339.

<sup>11</sup>"A contract executed solely for the purpose of complying with the provisions of an unconstitutional statute is not valid, and the person who under its terms is obligated to comply with the provisions of the unconstitutional act is entitled to relief. *Cleveland v Clements Bros. Const. Co.*, 67 Ohio St 197, 65 NE 885; *Jones v Columbian Carbon Co.*, 132 W Va 219, 51 SE2d 790.

Generally, as to the application to invalidate contracts of the obligation of contracts guaranty, see §688, infra.

<sup>12</sup>*Flournoy v First Nat. Bank*, 197 La 1067, 3 So 2d 244; *State ex rel. Clinton Falls Nursery Co. v Steele County Board of Com'rs*, 181 Minn 427, 232 NW 737, 71 ALR 1190; *St. Louis v Polar Wave Ice & Fuel Co.*, 317 Mo 907, 296 SW 993, 54 ALR 1082; *Anderson v Lehmkuhl*, 119 Neb 451, 229 NW 773; *Amyot v Caron*, 88 NH 394, 190 A 134; *State v Williams*, 146 NC 618, 61 SE 61; *Daly v Beery*, 45 ND 287, 178 NW 104.

<sup>13</sup>*Chicago, I. & L.R. Co. v Hackett*, 228 US 559, 57 L Ed 966, 33 S Ct 581; *United States v Realty Co.*, 163 US 427, 41 L Ed 215, 16 S Ct 1120; *Payne v Griffin* (DC GA) 51 F Supp 588; *Hammond v Clark*, 136 Ga 313, 71 SE 479; *Flournoy v First Nat. Bank*, 197 La 1067, 3 So 2d 244; *Anderson v Lehmkuhl*, 119 Neb 451, 229 NW 773; *State v Williams*, 146 NC 618, 61 SE 61; *Daly v Beery*, 45 ND 287, 178 NW 104; *State ex rel. Weinberger v Miller*, 87 Ohio St 12, 99 NE 1078.

Only the valid legislative intent becomes the law to be enforced by the courts. *State ex rel. Clarkson v Phillips*, 70 Fla 340, 70 So 367; *Flournoy v First Nat. Bank*, 197 La 1067, 3 So 2d 244.

<sup>14</sup>*Neely v United States* (CA3 Pa) 546 F2d 1059, 41 ALR Fed 331, reh den (CA3 Pa) 554 F2d 114 and on remand (WD Pa) 78 FRD 515, dismd without op (CA3 Pa) 594 F2d 855.

<sup>15</sup>*Re Application of Spencer*, 228 US 652, 57 L Ed 1010, 33 S Ct 709; *Board of Managers v Wilmington*, 237 NC 179, 74 SE2d 749.

<sup>16</sup>*Chicago, I. & L.R. Co. v Hackett*, 228 US 559, 57 L Ed 966, 33 S Ct 581; *Berry v Summers*, 78 Idaho 446, 283 P2d 1093; *Board of Managers v Wilmington*, 237 NC 179, 74 SE2d 749; *State v Savage*, 96 Or 53, 184 P 567, adhered to 96 Or 65, 189 P 427.

<sup>17</sup>*Thiede v Scandia Valley*, 217 Minn 218, 14 NW2d 400.

<sup>18</sup>*State v One Oldsmobile Two-Door Sedan*, 227 Minn 280, 35 NW2d 525.

<sup>19</sup>*State ex rel. Boyd v Green* (Fla) 355 So 2d 789; *State v One Oldsmobile Two-Door Sedan*, supra; *State v Kolocotronis*, 73 Wash 2d 92, 436 P2d 774; *Boeing Co. v State*, 74 Wash 2d 82, 442 P2d 970.

<sup>20</sup>§264, infra.

<sup>21</sup>*Gunn v Barry*, 82 US 610, 21 L Ed 212; *Cohens v Virginia*, 19 US 264, 5 L Ed 257.

<sup>22</sup>*Flournoy v First Nat. Bank*, 197 La 1067, 3 So 2d 244; *Gilkeson v Missouri P.R. Co.*, 222 Mo 173, 121 SW 138; *Peay v Nolan*, 157 Tenn 222, 7 SW2d 815, 60 ALR 408.

<sup>23</sup>*Beneficial Loan Soc. v Haight*, 215 Cal 506, 11 P2d 857.

As to partial unconstitutionality of statutes, see §§ 260 et seq., infra.

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"If the Nation can issue a dollar bond it can issue a dollar bill. The element that makes the bond good makes the bill good also. The difference between the bond and the bill is that the bond lets the money broker collect twice the amount of the bond and an additional 20%. Whereas the currency, the honest sort provided by the Constitution, pays nobody but those who contribute in some useful way. It is absurd to say our Country can issue bonds and cannot issue currency. Both are promises to pay, but the one fattens the usurer and the other helps the People."

THOMAS EDISON

## A NATION IN HOCK IDAHO TESTIMONY REVEALS FEDERAL RESERVE HAS LIEN AGAINST ALL U.S. PROPERTY

Trillion dollar national debt, money borrowed by the Federal government from the Federal Reserve System, a private banking cartel, is a lien against all property in the United States, both public and private, constitutionalist tells panel investigating cause for bankrupt society.

Solution is citizen participation in State demand for repeal of Federal Reserve Act, restoring to Congress power to 'borrow money on credit of the United States,' and returning control of economy to the people, speaker says.

On 7 March 1983 Archibald Roberts, Director, Committee to Restore the Constitution, appeared before the Idaho Senate State Affairs Committee, Honorable Walter H. Yarbrough, Chairman, to testify in support of House Joint Memorial #3, calling for repeal of the Federal Reserve Act of 1913.

Introduced by Representative Frank Findlay in response to demand by thousands of irate Idaho

citizens, HJM #3 was adopted 46 to 22 by the House of Representatives on 4 February.

Senate hearings of 7 March resulted in passage by voice vote on 14 March, propelling Idaho into ranks of states challenging the constitutionality of the Federal Reserve Act.

State legislative action on the Federal Reserve demonstrates a national movement of enormous potential for reversing decline of the American civilization.

Following is a transcription from a live tape recording of address by Col. Roberts, and questions on the issue by Senate Committee members.

Mr. Chairman and members of the Senate State Affairs Committee, my name is Archibald Roberts. I am a resident of Fort Collins, Colorado, and the Director of the Committee to Restore the Constitution. The Committee is a non-profit corporation. We are a political research and public information organization. The thrust of the

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Committee to Restore the Constitution, Mr. Chairman and members, is to encourage support of the Articles of the Constitution within the borders of each State. The reason for that, of course, is that the State is the principal under the Constitution having created the Federal government by the first three articles of the Constitution. Since we are dealing with Principal and Agent, it is clearly the responsibility of the respective States, as Principals, to correct any excesses of their Federal agencies in Washington, D.C. And so, in the case of the Federal Reserve Act, which we will show later in this presentation to be unconstitutional, it will be our purpose to support the resolution now before this Committee, that is House Joint Resolution No. 3, calling for repeal of the Federal Reserve Act of 1913.

During the next few minutes, Mr. Chairman, I would like to present to the Committee the origins of the national economic crisis. This, of course is at the heart of any consideration for corrective action. We will also reveal what we consider to be the proper solution for these excesses by Federal agencies, namely repeal of the Federal Reserve Act of 1913.

Because the State is superior to its creature, it is obviously the constitutional responsibility of elected state officials, representing their constituencies, to take whatever action is necessary to enforce the articles of the Constitution within the borders of the State of Idaho. Of course, all political power flows from the people. It is the responsibility of the individual citizen, therefore, to bring to the attention of elected officials violations of the Constitution, or abridgements thereof, which threaten any of the freedoms of persons or property guaranteed to the people by the Constitution.

Now the issue of economic crisis.

I believe that the magnitude of this problem, Mr. Chairman, was revealed by an Associated Press story out of Washington dated the 24th of June, 1982. The Treasury financial report of this date stated that the Federal debt was \$1,070,241,000,000. The Associated Press story stated that Congress' limitation on the national debt is the reason the Senate had raised the ceiling to accommodate an anticipated budget deficit in excess of \$100,000,000,000.

Mr. Chairman, we know now that since that date the deficit has been raised substantially.

These are very grave conditions with a national debt of over one trillion dollars and an estimated deficit of 170 billion. Mr. Marvin Stone, Mr. Chairman, the editor of *U.S. News and World Report*, declared on the 28th of June, 1982, that today's interest on the national debt is over \$100 billion annually, based on the trillion dollar national debt. \$100 billion interest paid on the national debt. The significance here of course, is that the so-called trillion dollar debt is money borrowed by the Federal government from the Federal Reserve which is, as we will show, a private banking establishment. Therefore, the interest of \$100 billion paid on the national debt is actually paid to the private banking cartel called the Federal Reserve, and its Class A stockholders.

I think that Americans, and particularly the people of Idaho should know to whom this trillion dollars is owed, and who collects the \$100 billion dollar interest payment which we have identified. And finally, are America's taxpayers actually victims of a gigantic hoax. If the later is the case, then we of course are dealing with a criminal conspiracy.

A clue to these questions is found in a United Press International release which stated, and I quote, "Panel to Decide U.S. Monetary Course." Panel meaning the Federal Reserve Panel. This is a *Rocky Mountain News* article Mr. Chairman, and it revealed that the Federal Reserve Open Market Committee is the policy making body of the Federal Reserve System. Therefore, this Committee sets the course of the U.S. economy. It sets the interest rates on all money loaned by the banks and trickles down to the other lending agencies. It also, of course, determines the amount of Federal Reserve notes in circulation, which are not based on anything of value but are created out of thin air. It determines the stock market action, whether it will be up or down, and other factors which have a direct bearing on whether Americans and the citizens of Idaho will live in a bankrupt or a prosperous society. We are now living in a bankrupt society directly due to the manipulation of credit and the volume of currency put into circulation by the Federal Reserve System.

I think it would be prudent to follow this lead which we have uncovered to determine how it affects individuals involved in the lawmaking process, and of course, their constituents living in the State of Idaho.

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Mr. Chairman and members of this Committee, I testified on the Federal Reserve System before the Wisconsin State Affairs Committee in Madison, Wisconsin on 30 March 1971. The title of my address was "The Secret Government of Monetary Power." This address was placed in the Congressional Record on the 19th of April, 1971, under the title "The Most Secret Science." Extracts of the Madison speech have a direct bearing on today's economic ills and explain how a secret government of monetary power did seize control of the Federal government in 1913. Since that time, Americans have existed at the whim of those who control the economy through the Federal Reserve System.

Before we examine this particular part of the presentation Mr. Chairman, it would be well to agree on the authority, the Law, affecting the economic situation in the United States. Mr. Chairman, the Constitution is very specific about control of the economy and the fiscal process of the United States. Article 1, section 8, directs that the Congress is authorized to borrow money on the credit of the United States, and to coin money and regulate the value thereof. Federal Agents, Mr. Chairman, are prohibited from modifying the Constitution or to transfer these vast powers to a private banking cartel. There is no authority in the Constitution permitting such usurpation of power. Later in this presentation, Mr. Chairman, we'll show how the State of Arizona, acting on this authority, that is the quoted authority of the Constitution, memorialized the President and Congress to rescind the Federal Reserve Act, as the resolution before this Committee proposes to do.

The Federal Reserve, as we have pointed out previously, is not a government agency. It is a private banking cartel. This is the crux of the issue. I think it might be pertinent therefore, Mr. Chairman, to examine the authority which the Federal Reserve itself declares established its legal status. This authority is quoted in a statement submitted to Congressman Wright Patman, who was then Banking and Currency Board Chairman, by the Board of Governors of the Federal Reserve System. This statement was made the 14th of April, 1952, and is as applicable today as it was then. I quote, "The twelve Federal Reserve Banks of the Federal Reserve Board are corporations set up by Federal law to operate for public purposes and are placed under government supervision." The Board further advised Mr. Patman, and again

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I quote, "The Board of Governors was created by Congress and is a part of the government of the United States. Its members," they said assuringly, "are appointed by the President with the advice and consent of the Senate and it," that is the Fed, "has been held by the Attorney General to be a government establishment."

Mr. Patman retorted to these rather impressive claims and exploded the myth that the Federal Reserve acts with legality as a public servant. Mr. Patman stated, "There is no free market that can cope with a national debt of \$272 billion dollars, (This was in 1952. We are now well over one trillion dollars in debt as a result of the manipulation of the Federal Reserve) with 85 billion of it to be refunded within one year. The free market," he said, "means private manipulation of private credit."

As we have pointed out, Mr. Chairman, private manipulation of public credit is the purpose and objective of the Federal Reserve. I invite your attention again, Mr. Chairman and members, to Article 1 section 8 of the Constitution which declares that only the Congress can "borrow money on the credit of the United States." But in fact, as Mr. Patman pointed out, the objective of the private Federal System is to borrow money on the public credit of the United States in violation of prohibitions of the Constitution.

Then Congressman Patman revealed the contradiction in this Federal Reserve claim of government agency status, and explained how the Fed generates illegitimate profits for its members. I quote, "The Open Market Committee of the Federal Reserve System is composed of seven members of the Board of Governors and five members who are presidents of Federal Reserve banks, and who are directed by private commercial banking interests. The Open Market Committee has the power to obtain, and does obtain, the printed money of the United States (Federal Reserve Notes) (free) from the Bureau of Engraving and Printing. The Fed exchanges these printed notes," the Federal Reserve notes, "which are not, of course, interest bearing, for government obligations which are interest bearing."

This is how interest is generated on the Federal debt, the one trillion dollar Federal debt; \$100 billion interest. And then Mr. Patman explained, "The interest bearing obligations are retained by the 12 Federal Reserve banks and the interest

collected annually on these government obligations goes to the funds of the 12 Federal Reserve banks."

Then Mr. Patman exploded the myth that the Federal Reserve System is an instrumentality of the Federal government. "These funds," that is interest paid on the national debt to the Federal Reserve banks, "these funds are expended by the Federal Reserve System without an accounting to the Congress. In fact, there has never been an independent audit of any of the 12 Federal Reserve banks or by the Federal Reserve Board that has been made available to the Congress, where members of the Congress would have an opportunity to inspect it. The General Accounting Office," Mr. Patman pointed out, "does not have jurisdiction over the Federal Reserve. For 40 years," (that was in 1952), "for 40 years the System while freely using the money, that is the credit of the government of the United States, has not made a proper accounting."

An even more damning indictment of the Federal Reserve System was made by the late Lewis T. McFadden, Chairman of the Banking and Currency Committee, United States Congress. Mr. McFadden stated, "Every effort has been made by the Fed to conceal its power, but the truth is the Fed has usurped the government and it controls everything here (in Congress) and it controls all of our foreign relations. It makes and breaks governments at will."

Mr. Chairman, it is obvious that when the power to control money is transferred from the people to a private banking monopoly, as it is now proven the case in America, that the sovereignty of the people is surrendered too. Control of wealth confers upon those who control it final decision in the domestic and international affairs of nations. When an invisible government of monetary power usurps the coin of the realm, the people are disfranchised and real political authority is transferred into the hands of a financial aristocracy. Mr. Chairman, I believe that an invisible government of monetary power will continue to control the American destiny and the lives of the people until informed citizens dismantle the Federal Reserve System.

As I suggested at the beginning of this presentation, Mr. Chairman and members, we do have good news. Returning America to fiscal sanity and political responsibility has already begun. We believe that the first State to introduce

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legislation challenging the constitutionality of the Federal Reserve Act is Arizona. The 21st of January, 1982 is perhaps the most significant date of this century. On this date members of the Arizona State Legislature, in both the House and Senate, memorialized the President and Congress to enact such legislation as is necessary to repeal the Federal Reserve Act. The Arizona resolution is identical to the proposal now before this Committee.

I quote from a statement made by Representative D. Lee Jones, principal sponsor of the Arizona resolution. "We are determined to oust the Federal Reserve System out and away from our national pocketbook."

Asserting that only the Congress has the power to borrow money on the credit of the United States, and to coin money and regulate the value thereof, Arizona lawmakers, by a booming majority, affirmed that Congress is without authority to delegate these powers to private banking interests.

Again I quote the Arizona resolution. "The United States," they warned, "is facing in the current decade an economic debacle of massive proportions due in large measure to a continuing erosion of our national currency and the resulting high interest rates caused by policies of the Federal Reserve Board."

Mr. Chairman, quick to follow the Arizona lead, the following States also introduced companion resolutions: Washington State, Utah, Nebraska, Alabama, Indiana, North Carolina, South Carolina, Pennsylvania and Montana. All challenging the constitutionality of the Federal Reserve Act. Since that time we have had additional states join this most important movement. The latest of these being the state of Arkansas, where I testified before the Arkansas State Affairs Committee on the 15th of February and endorsed their resolution to rescind the Federal Reserve Act.

Without quoting any of the points of the Arkansas action I merely point out that it is the same resolution as is before this Committee.

Mr. Chairman, I believe that in this very brief presentation we have pointed out three important factors for consideration by this panel. First, the trillion dollar national debt is not owed to ourselves as government handouts would have you believe. It is owed to a private banking

monopoly, the Federal Reserve System. Therefore, Mr. Chairman, the national debt is a lien against all property in the United States both public and private. Two, interest on the national debt, which is over \$100 billion for this year, \$115 billion as a matter of fact, is paid to the Class A stockholders of the Federal Reserve System, a private banking monopoly. Three, the Federal Reserve Open Market Committee, that is the policy making body of the Federal Reserve System, determines interest rates, sets the volume of Federal Reserve notes in circulation, controls the stockmarket and rules on other public economic factors which determine whether Americans will live in a prosperous or a bankrupt society. We have also found, Mr. Chairman, that the Federal Reserve System, which is the source of our economic crisis, exists outside the Law; that is, in violation of prohibitions of the Constitution. Being in violation of the Constitution, Mr. Chairman, it must be put down. I believe, Mr. Chairman, that, the issue is clearly before us. Survival is not a spectator sport but requires the attention and consideration of all concerned Americans. This is the reason why I have been invited by your constituency to appear and present some of the facts behind the Federal Reserve System for your consideration.

Mr. Chairman, I invite questions if it is your pleasure.

Chairman Yarbrough: Thank you, Colonel. Is there a question?

Q: Mr. Chairman and Colonel Roberts, I was reading your *Bulletin Committee to Restore the Constitution* on the second page it refers to a court case, *John L. Lewis v. the United States of America*. Where the U.S. Court of Appeals held that the Reserve banks are independent, privately owned and locally controlled corporations. That being the case and considering the considerable damage that is being cited as being done to the citizens of this great State, wouldn't it be possible within our laws to have our own Attorney General file suit against them for reparation of some of the damages done to the citizens?

ROBERTS: Mr. Chairman, members, sir; Indeed this is one of the options available to members of this body, and we certainly would encourage such an investigation inasmuch as the Court has, in fact, found that the Federal Reserve is a private corporation, and therefore operates for the profit of its members, its member banks and the stockholders of these banks.

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Q: Mr. Chairman, Colonel Roberts, then if I understand you correctly, you would view the urging of this legislative body to reintroduce perhaps a concurrent resolution that would ask the Attorney General of the State of Idaho to file suit in the appropriate court against the Federal Reserve System, or the Reserve banks, perhaps I should differentiate there, so that we might indeed recover damages for what we suffer.

ROBERTS: Mr. Chairman, members, sir, This is, of course, a later option in our opinion. The reason we believe it a later option is, number one, that it is our responsibility, first, to clarify the Law. Well, the Law is the Constitution, therefore, we must, in our opinion, go to the Congress with petitions from the various states demanding repeal of the Federal Reserve Act to clarify the Law. Once this action is under consideration, it is very feasible to then bring such action. However, in the case of the State of Washington, Mr. Chairman, sir, the action was, as you suggested, taken by one of the senators (Senator Jack Metcalf) in the State of Washington. However, the Attorney General of the State of Washington recommended withholding action on this case until such time as additional States entered into a supporting movement. So this is really a first step, in our opinion, to present, first, the clear cut statement of the State of Idaho that there is violation of the Constitution. Then when we have a sufficient number of States, and we already have 16 involved, so when we have a sufficient number of States to support such action as bringing a legal case, then we are obviously in a much better position. Thank you very much.

Q: Mr. Chairman, Just one more. Colonel Roberts, I have one case before the Supreme Court now I am in no hurry to start another one. You spoke about the size of the deficit, are you able to recall those, or do you have in print the various deficits for different years?

ROBERTS: No, I don't have that list before me, but certainly we could find it. The deficits are obviously mounting in proportion to the increased money borrowed by the government from the Federal Reserve System. So it is a variable of an ever increasing size, Mr. Chairman.

Chairman Yarbrough: Any other questions?

Q: Mr. Chairman, Colonel Roberts, would you be providing stockholding members of the Federal Reserve System by name?

ROBERTS: I think first, Mr. Chairman, it would

be helpful to identify the origins of the Federal Reserve System itself. Very briefly, without going into a lot of historical background, we can quote Colonel Ely Garrison who was a friend and financial advisor to President Theodore Roosevelt and President Woodrow Wilson, who was President at the time the Federal Reserve Act was passed. In his autobiographical book which is entitled, *Roosevelt, Wilson and the Federal Reserve Act*, Garrison wrote, and I quote, "Mr. Paul Warburg was the man who got the Federal Reserve Act together after the Aldrich plan aroused such nationwide resentment and opposition. The master mind of both plans," declared Garrison, "was Alfred Rothschild of London," end of quote.

Now to identify the real owners of the Federal Reserve which is your question sir, . . . Mr. Chairman, I would like to quote from sources from Switzerland and Saudi Arabia who were queried on the real owners of the Federal Reserve. Mr. Chairman and sir, we do not mean the managers of the twelve Federal Reserve banks who merely run the banks for the owners, the real owners. Nor do we mean the members of the Federal Reserve Board who merely make decisions in line and in consonance with the directions they receive from the real owners of the Federal Reserve. We certainly don't mean those who sit on the Open Market Committee of the Federal Reserve which we mentioned earlier in this presentation. We mean the real owners of the Federal Reserve. Mr. Chairman, this has been the best kept secret of this century. And it is the best kept secret because of a proviso on passage of the Federal Reserve Act. It was agreed that no information would be released on the Class A stockholders of the Federal Reserve. But, a Mr. R.E. McMaster, publisher of a newsletter, *The Reaper*, asked his Swiss and Saudi Arabian contacts which banks hold controlling interest in the Federal Reserve System. This was the answer received, and I quote, "Owner number one, Rothschild Banks of London and Berlin; Owner number two, Lazard Brothers Banks of Paris; Owner number three, Israel Moses Seif Banks of Italy; Owner number four, Warburg Bank of Hamburg and Amsterdam; Owner number five, Lehman Brothers Bank of New York; Owner number six, Kuhn, Loeb Bank of New York; Owner number seven, Chase Manhattan Bank of New York." Mr. Chairman, it is the Chase Manhattan Bank which controls all of the other

eleven Federal Reserve Banks. Finally, "Owner number eight, Goldman, Sachs Bank of New York."

Mr. Chairman, sir, there are approximately three hundred people, all known to each other and sometimes related to one another, who hold stock or shares in the Federal Reserve System. They comprise an interlocking, international banking cartel of wealth beyond comprehension.

Q: You mentioned Class A stockholders. Now who would they be? The same bank members?

ROBERTS: These are the three hundred, sir, Mr. Chairman. These are the same three hundred that I mentioned at the end of this presentation who are Class A stockholders. We are in the process, of course, of seeking to identify these by name and address, but you can understand the difficulty of such investigative process. In fact, we are still in the process of locating the Articles of Incorporation of the Federal Reserve at the time it was passed in 1913. Again, we are obviously confronted by a massive wall of silence. So it is a difficult task. But nonetheless, we have made some breaches in their defense.

Q: What are the names of those eight members. I didn't get a chance to write them down.

ROBERTS: Mr. Chairman, sir, the listed names of the banks which own the Federal Reserve in the United States are in the copy of my presentation left with your secretary.

Q: Mr. Chairman, sir, supposing we had enough states to ratify this proposition and we stalled and curtailed the Federal Reserve Board. Do we have a plan where we could continue business as usual?

ROBERTS: Mr. Chairman, the question, of course is a very explicit one and that is that it really asks are we able to continue operating the economy without the Federal Reserve. I would point out, Mr. Chairman, sir, that the United States of America operated until 1913 without the service of the Federal Reserve through the existing agencies of government which still exist and function today. But the real control has been usurped from these agencies, authorized under the Constitution, and their power has been limited to merely approving what decisions are made by the owners of the Federal Reserve. So to answer your question, of course we'd continue the economy, but without paying the horrendous interest rates to the owners of the Federal Reserve. I would

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point out further, Mr. Chairman, that it would be our objective to repudiate the one trillion dollar national debt because it is not owed to us, it is owed to the Federal Reserve System. Since the Federal Reserve System, Mr. Chairman, is a criminal conspiracy, the ill-gotten gains, this trillion dollar debt, a lien against all private property in the United States, obviously is a criminal act against the people of the United States.

Chairman Yarbrough: Any further questions? If not Colonel, I believe there has always been a question involved in a lot of minds whether or not the Federal Reserve Board is a government agency or a private agency. Has there not been a recent court case to that effect.

ROBERTS: Mr. Chairman and members, the March 1983 *CRC Bulletin* produces in its entirety the Court decision to which you refer. This is, *Lewis v. the United States*, Court Case number 80-5905, United States Court of Appeals, Ninth Circuit Court, San Francisco, 19th of April, 1982. The entire text is reprinted so that there would be no question as to the finding, the ruling of the Court. The Court specifically stated that the Federal Reserve is a private banking monopoly.

Chairman Yarbrough: One further question along these same lines. Has this been appealed to the Supreme Court?

ROBERTS: Mr. Chairman, members, we do not have any record of appeal. If there is to be an appeal, and possibly there will be, then we'll bring that out later. I think the finding speaks for itself, and this is really the issue we want to bring out.

With your indulgence, Mr. Chairman, I would like to add one more thing to the evidence before this body, and that is the Monetary Control Act of 1980 which is, of course, an authority passed by the Congress allegedly placing all economic organizations under control of the Federal Reserve System. First, Mr. Chairman, it brings all U.S. depository institutions under the authority of the Federal Reserve System which is, as we have pointed out, an international banking cartel. Two, it expands the definition of collateral for Federal Reserve credit and Federal Reserve notes in circulation. This means that any asset the Fed can purchase on the open market can be used as an asset against such borrowing. The cartel thus, as I have pointed out, has a lien against all property in the United States, because all of the banking

institutions and lending institutions under the Federal Reserve today use their collateral as authority to create money out of thin air. This, then, is the means by which the internationalists have placed their control over all real estate of the United States, and, of course, all individuals who own private property of any kind.

For example, the Fed can now purchase such collateral as FHA and VA backed mortgages or corporate debt obligations. Also, the Fed can now bail out Chrysler, as it did, and any other corporation, by buying all of the commercial paper of that corporation. Therefore, the Fed controls the American economy and American industry through this technique. Also, the Fed can bail out the Chase Manhattan Bank, City Bank, or any other bank with the acceptance of federally backed mortgages from such banks. That is, irresponsible bank loans, foreign and domestic, as we have seen, through the activity of the Federal Reserve and the International Monetary Fund. They are able to bail out bankrupt foreign governments, placing the burden of repayment for those bad loans upon the backs of the American taxpayer.

Chairman Yarbrough: One further question. I think history teaches us when most every government went on paper money, off of a gold standard or silver standard, got in trouble. And knowing politicians pretty well, if we eliminated the Federal Reserve and gave that authority to Congress of the United States, unless we did go on a gold standard or have something behind the money to back it up, do you suppose we, in a short time, we'd be in worse shape than we are in now?

ROBERTS: Mr. Chairman, of course, we are speaking about violations of the Law, and therefore, a criminal conspiracy. So it is not an option of whether or not we will continue with the Federal Reserve. It is a matter of whether we are to enforce the Constitution. The Constitution is not a constitution of convenience, it is not what people may want to make it from day to day. It is very specific and, as we quoted in the early part of this presentation, Article I, section 8 of the Constitution is very clear on the responsibility of Congress to control fiscal activity of the United States through the apparatus established by the Congress. Therefore, the action of returning control of the economy to the American people through the Congress, as is proper under the Constitution, is a requirement. Either that, or we abolish the Constitution. Now I think it is clear

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that once we are in a position to control our own destiny by controlling the economy through the existing agencies now available, voiding and rescinding the Federal Reserve Act, that we go back to the same system which gave us the most powerful and most prosperous nation in the world, the United States of America. America is a free economy and became a free economy because of the Revolutionary War, which was not a war merely against the tax on tea imports, but rather it was a war against Thread Needle Street, the British debit money system imposed upon the colonists in violation of their free will. That was the real reason for the Revolutionary War.

Q: Could you give us a little broader base in particular on the Monetary Deregulation Act of 1980?

ROBERTS: Mr. Chairman, sir, the Monetary Control Act of 1980 is available in your reference library, I am sure. Its purpose was to bring together under the authority, alleged authority, of the Federal Reserve System, all lending agencies of the United States, as well as the banks which must operate in conformity with Chase Manhattan Bank guidelines. This Act, in fact, is responsible for a very powerful, silent revolution in the economy, and in the banking world of the United States. It did prepare and accomplished the consolidation or centralization of all economic factors in the United States under control of the Federal Reserve itself. The Federal Reserve, therefore, controls not only the twelve Federal Reserve Banks, but also all of the lending institutions in the United States. As we mentioned earlier, the mortgages held by these lending agencies are part and parcel of the credit controls upon which the Federal Reserve now exercises its alleged authority to create money out of thin air. It is a real lien against all private property in the United States, as well as Federal property, I might add.

Chairman Yarbrough: Any other questions? If not, I have one more. You say we can't get the stockholders in the Federal Reserve. Now if it is a Federal institution, as we have been lead to believe over these years, under the Freedom of Information Act, which was passed at a later date, should not that make all information of stockholders and such available to any person in the United States who wanted it?

ROBERTS: Mr. Chairman, that is precisely what

we are doing. Several months ago I presented a request to several Congressmen in Washington quoting the Freedom of Information Act and asking, number one, for a copy of the Articles of Incorporation of the Federal Reserve System. The Articles of Incorporation obviously would have to list the owners at that point. It would not necessarily, however, have to list the foreign owners. So we are working in both directions. That is, we want to secure a copy of the Articles of Incorporation to identify the domestic owners, but at the same time we are seeking further expansion of the identification of the owners of these eight banks, and the three hundred stockholders who actually own the Federal Reserve System in the United States. So, yes, we are working in this direction. As a matter of fact, it would be my assumption, sir, that the State of Idaho, in its highest sovereign capacity, would have a higher authority to bring pressure upon your representatives in Congress than does the Committee to Restore the Constitution. This would be an excellent avenue of investigation.

Chairman Yarbrough: Any further questions?

Q: What about bank deposits insured by a Federal agency?

ROBERTS: Mr. Chairman, sir. Since all banks are controlled or owned by the Federal Reserve System obviously it would be very risky to permit any independent agency of government to be without supervision of the Federal Reserve, because then the entire System would be at risk. So obviously all of these agencies, including the insurance procedure which you noted are part of the Fed control mechanism which we have outlined here today.

Chairman Yarbrough: I have a question. I understand the big banks are taking money to Mexico, Brazil, and all the developing nations. Are they responsible in case of default, or is the United States government?

ROBERTS: Mr. Chairman, under the provisions of the Monetary Control Act, as we pointed out, all of the foreign debts granted by the various banks are all based upon the ability of the American taxpayer to pay. All of these debts, under this alleged authority, are subject to monetization. That is, the tremendous Mexican debt, which you pointed out, can be monetized and declaring that it now is a responsibility of the

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Federal government to collect. Therefore, the taxpayers become subject to paying not only the interest on these horrendous debts, but also the principal. This is one of the aspects of the Control Act of 1980 which is so ominous. The International Monetary Fund is exercising that alleged authority to place the burden of repayment, not on the resources of the host

company, Mexico, in this case, but on the backs of the American taxpayers.

Chairman Yarbrough: Thank you. Any further questions? If not, Colonel, we thank you very much.

ROBERTS: Thank you, sir, it's an honor.

## STATE OF IDAHO

### MEMORIAL TO REPEAL FEDERAL RESERVE ACT

LEGISLATURE OF THE STATE OF IDAHO  
FORTY-SEVENTH LEGISLATURE  
FIRST REGULAR SESSION—1983

IN THE HOUSE OF REPRESENTATIVES  
HOUSE JOINT MEMORIAL NO. 3  
BY STATE AFFAIRS COMMITTEE

#### A JOINT MEMORIAL

To the President of the United States, the President of the United States Senate, the Speaker of the House of Representatives of the United States in Congress assembled, and to the Congressional Delegation representing the State of Idaho in the Congress of the United States.

We, your Memorialists, the House of Representatives and the Senate of the State of Idaho assembled in the First Regular Session of the Forty-seventh Idaho Legislature, do hereby respectfully represent that:

WHEREAS, the Constitution of the United States vests in the Congress of the United States the supreme power "to coin money, regulate the value thereof and of foreign coin, and fix the standard of weights and measures;" and

WHEREAS, Congress passed the Federal Reserve Act in 1913 and thereby abdicated its duty to fix a constant lawful value for United States money; and

WHEREAS, the national debt in 1913 was less than two billion dollars while the national debt in 1983 exceeds one trillion dollars; and

WHEREAS, the people of Idaho are suffering from the effects of high unemployment and the recession, which has been caused principally by high interest rates; and

WHEREAS, the control of interest rates by the Board of Governors of the Federal Reserve Board has led the Nation down a course toward economic calamity; and

WHEREAS, section 19, of the Federal Reserve Act specifically precludes the State of Idaho from effectively legislating or enacting any lawful ceiling for interest rates charged by the Federal Reserve, thereby immunizing banks and bankers from any threat of civil or criminal liability for interest rates charged; and

WHEREAS, the United States Government owns no stock in the Federal Reserve System, and the Federal Reserve, as such, is not a government agency, and is, in fact, a monopoly entirely independent of U.S. Government control absent direct legislative action by the Congress.

NOW, THEREFORE, BE IT RESOLVED by the members of the First Regular Session of the Forty-seventh Idaho Legislature, the House of Representatives and the Senate concurring therein, that the United States Congress enact legislation providing for the immediate repeal of the Federal Reserve Act and place back in the Congress the power to regulate the value of United States money.

BE IT FURTHER RESOLVED that the Chief Clerk of the House of Representatives be, and she is hereby authorized and directed to forward copies of this Memorial to the President of the United States, the President of the United States Senate, the Speaker of the House of Representatives of the United States in Congress assembled and the congressional delegation representing the State of Idaho in the Congress of the United States.

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**FACT SHEET ON THE MONETARY CONTROL ACT, PUBLIC LAW 96-221,  
Prepared by Dr. Ron Paul, Member of Congress, 23 March 1983**

On March 31, 1980 President Carter signed the Depository Institutions Deregulation and Monetary Control Act, Public Law 96-221. The Law consists of nine titles, most of which are unobjectionable. But the first title is not, yet it is the first title that went largely unexamined — and even unnoticed — when the House and the Senate debated the final version of the Act. That title provides that:

1. *The Federal Reserve is given control over all depository institutions, not just its own members. Credit unions, savings and loans, savings banks, and nonmember commercial banks are chafing under the burdens imposed by the Monetary Control Act. The Federal Reserve's direct control over financial institutions expanded from coverage of about 3000 institutions to about 14,000.*

2. *Reserve requirements are to be lowered over several years. This means that banks will be able to create more money out of thin air, aided and abetted by the Federal Reserve. Also, the Federal Reserve can now lower reserve requirements to zero.*

3. *The Federal Reserve can print unlimited quantities of Federal Reserve notes and store them in their vaults. All collateral requirements for "vault cash" were abolished. Collateral is required only when such notes are actually issued by the Federal Reserve banks.*

4. *The Federal Reserve can issue more paper money because it can now use virtually any of its assets as collateral for circulating notes. Such assets include debts issued by sewer commissions, municipalities, and irrigation districts, for example.*

5. *The Federal Reserve can monetize foreign debt by buying "obligations of, or fully guaranteed as to principal and interest by, a foreign government or agency thereof."*

6. *The Federal Reserve can further inflate by using this foreign debt as collateral for issuing Federal Reserve notes. In fact the Fed has done this on at least 139 occasions, from April 1981 to January 1983, as you will see from the tables at the end of this paper.*

Because of the vast inflationary and bailout potential of section 105(b) (2) of Title I of Public Law 96-221, I have introduced a bill, H.R. 876, to repeal that section.

Under that section, the Federal Reserve is given blanket authority to purchase the debt of any sovereign debtor. There is no language, either in the Act itself or in its scant legislative history, that restricts the number of governments from which the Federal Reserve can purchase debt.

Further, there is no restrictive language in the Act itself or in its virtually non-existent legislative history that restricts the Federal Reserve in what it may use to purchase the debt of foreign governments. The Federal Reserve has always maintained that (1) it would never purchase the debt of Third World nations and (2) that it would purchase debt only with the currencies of countries which it already holds as a result of its foreign exchange operations. Such a position is irrelevant: The Federal Reserve may have the best of intentions, but intentions and legal authority are two quite different things. It is the granting of this power that must be rescinded, and if the Federal Reserve really does have good intentions, it ought to support H.R. 876, for the bill would simply make the law conform to the Fed's good intentions.

The House Subcommittee on Domestic Monetary Policy is circulating a memorandum on the Monetary Control Act (MCA) that is seriously misleading.

It says, for example, that "... section 105(b) (2) ... allows the Federal Reserve to purchase short term securities of a foreign government." The statement is true, but misleading. The MCA *does* allow the Fed to purchase short-term securities, and also medium and long-term securities. The actual language of section 105(b) (2) permits the Federal Reserve to buy and sell, at home or abroad, "obligations of, or fully guaranteed as to principal and interest by, a foreign government or agency thereof."

The MCA says nothing about short-term or long-term securities. The Fed is simply empowered to purchase all and any obligations of a foreign

government or agency without regard to their maturities. The Subcommittee's statement is incomplete on several counts: (1) *All maturities, not merely short-term securities, are involved;* (2) *agencies of foreign governments, as well as the governments themselves, are involved;* (3) *obligations guaranteed by foreign governments or their agencies are involved.* While the Fed has repeatedly rolled over the short-term securities it has purchased, the purchase of long-term securities would signal an actual attempt to use section 105(b) as a device to bailout both foreign governments and overextended U.S. banks.

Second, the Subcommittee memorandum says that section 105(b) (2) was "Inserted during the House-Senate Conference with unanimous consent upon the motion of Chairman Proxmire ..." But the Senator's office has repeatedly denied that the provision was inserted on the Senator's motion. In fact, according to the Senator's staff, it was the House Republican members of the Conference Committee who offered the motion on behalf of the Federal Reserve. The House Committee, I was astounded to learn, has no records of the Conference proceedings.

Third, the memorandum states that "... the controversy over this section has been derived from great misunderstanding and mischievous (sic) intent." I do not believe that I have misunderstood the provision — it is really quite clear — and my only intent is to limit the broad power conferred on the Fed by this section of the law.

Fourth, the memorandum reads: "Contrary to some beliefs, this provision was not put in by Federal Reserve Chairman Volcker since only Representatives and Senators can be conferees." Whose beliefs are these? Chairman Volcker *did* request this provision in his testimony before the Senate Banking Committee in September 1979, and, as noted above, the Representatives who allegedly offered the motion at the Conference Committee were acting on behalf of the Federal Reserve.

Fifth, and most important, the memorandum shifts the debate: "There is no intention to permit the United States Government, through the actions of its Federal Reserve System, to subsidize any country, any central bank, or buy the debt of any financially troubled nation."

The central issue is not one of intent or intentions, despite the memorandum's interest in these things. The matter is one of authority conferred by Congress in the Act itself, and that authority is unlimited. Nowhere does the Act say that subsidies to any country or bank are illegal. It does say that the Fed may purchase the debt of any country, or any agency of any country, with any acceptable medium of exchange. The entire "legislative history" of this provision is as follows:

... the Federal Reserve Act already permits us to hold foreign bank deposits and bills of exchange; it would be helpful to us operationally if short-term foreign government securities could be added to our authorized holdings — an omission at the time of the original Federal Reserve Act when such securities were not widely available. (Paul Volcker, September 26, 1979, Testimony before the Senate Banking Committee.)

This paragraph is the first mention of allowing the Fed to use foreign government assets as collateral, and only 19 words of the paragraph refer to the Fed's ability to purchase foreign government securities. There were no questions from the Senators on the issue, and the provision requested by Chairman Volcker was *not added to the Senate bill*. Neither did it appear in the House bill; it was added to the Conference Report, and the House had to adopt a special rule for consideration of the Conference Report, since the Report contained new material and the conferees exceeded their authority.

The next mention of the provision allowing the Fed to purchase the securities of foreign governments and use them as collateral for Federal Reserve notes occurred on March 27, 1980. In his explanation of the Conference Report, Senator Proxmire said:

It (the Monetary Control Act) also authorizes the Federal Reserve to purchase and sell obligations issued by foreign governments.

Under existing statutory authority, the Federal Reserve, in the course of its normal activities in the foreign exchange markets from time to time acquires balances in foreign currencies. Under present arrangements there is no convenient way in



which foreign currency balances held by the Fed can be invested to earn interest.

The Monetary Control Act would amend section 14 of the Federal Reserve Act to provide a vehicle whereby such foreign currency holdings could be invested in obligations of foreign governments and thereby earn interest. This authority would be used only to purchase such obligations with foreign currencies balances acquired by the Federal Reserve in the normal course of business.

(By this statement, the Congress was led to believe that this provision was needed so that the Fed could conveniently earn interest on its foreign exchange holdings. But the Fed could then, and now is, earning interest on these holdings by depositing them in interest-bearing bank accounts. The excuse given for this provision - to earn interest - is misleading. The Fed did and does earn interest on the foreign currencies it holds without buying foreign debt.)

There is no mention of section 105(b) (2) in the Conference Report on H.R. 4986.

Those three paragraphs are the entire "legislative history" of this provision. Nothing appears in any House document; no testimony was taken on the provision; and no mention of the provision was made during the House debate on the Conference Report. It is this scant "legislative history" that, we are told, overrides the explicit language of the Act itself. But intentions are not law, and the intentions of the legislature are useful only when the law is ambiguous. Unfortunately, there is nothing ambiguous about section 105(b) (2) of the Monetary Control Act.

On June 25, 1981 Chairman Volcker testified before the House Banking Committee:

Rep. Paul: "I am concerned about the Fed's legal ability to do it (use foreign debt as collateral)."

Chrm. Volcker: "I think we can use it as collateral, that is correct as many other assets we can use as collateral."

Rep. Paul: "A Brazilian bond or a Polish bond, you could use this as collateral?"

Chrm. Volcker: "We only do this when we acquire a balance in the ordinary course of our foreign exchange operations. We don't have any foreign exchange operations with Brazil, so the issue does not arise in that case, and we would not use the authority to just go out and buy."

Rep. Paul: "I understand, you would not use it. I am still back to the long-term legal concern whether you could or could not if you decided to."

Chrm. Volcker: "I guess in connection with the legal concern there's my recollection that there is nothing in that provision that would theoretically stop it except the legislative history which is quite clear. Whether there is any other authority in the Federal Reserve Act that would authorize us to simply buy securities of foreign countries at random or whatever, and I'm not quite sure under which general authority that approach could come, but that provision itself does not constrain us." (Emphasis added.)

The law is clear, and the legislative history is legally irrelevant. The question is not what the present Governors of the Fed intend to do, but what they and future Governors are empowered to do. We might not always have such trustworthy men at the Fed as we have now.

Finally, the memorandum states that "The legislation nowhere makes Fed membership mandatory." That is true, but incomplete. What the MCA does is make Fed membership superfluous, for it amends the original Federal Reserve Act by striking out the phrase "member bank" each place it appears therein and inserting in lieu there "depository institution."

In conclusion, the memorandum offers no evidence to contradict the statement that the

Monetary Control Act of 1980 empowered the Federal Reserve to purchase the obligations of foreign governments, or obligations fully guaranteed by foreign governments, and use those

obligations as collateral for Federal Reserve notes. As a matter of fact, the Fed has done so on at least 139 different occasions. Below is a list provided by the Federal Reserve:

FOREIGN GOVERNMENT OBLIGATIONS PURCHASED BY FEDERAL RESERVE BANKS AND USED AS COLLATERAL TO ISSUE FEDERAL RESERVE NOTES (1981-1983)  
(Federal Reserve Bank Principal identified by asterisks)

April 21, 1981	\$ 11.6 million	April 24, 1981	\$ 38.4 million
April 28, 1981	\$ 17.1 million	May 5, 1981	\$ 18.0 million
May 7, 1981	\$ 36.6 million	May 12, 1981	\$ 64.3 million
May 13, 1981	\$ 96.7 million	May 27, 1981	\$ 9.3 million
June 9, 1981	\$ 44.8 million	June 10, 1981	\$109.0 million
June 23, 1981	\$ 1.0 million	June 30, 1981	\$ 27.0 million
July 1, 1981	\$ 18.1 million	July 10, 1981	\$ 48.8 million
July 13, 1981	\$ 49.0 million	July 14, 1981	\$ 76.4 million
October* 5, 1981	\$ 8.0 million	October* 6, 1981	\$106.0 million
October 7, 1981	\$ 7.0 million	October* 7, 1981	\$196.0 million
November 17, 1981	\$ 51.0 million	November 18, 1981	\$ 45.0 million
November 24, 1981	\$ 20.0 million	November 27, 1981	\$ 31.0 million
November 30, 1981	\$ 57.0 million	December 1, 1981	\$ 82.0 million
December 2, 1981	\$ 64.0 million	December 3, 1981	\$ 28.0 million
December 4, 1981	\$ 36.0 million	December 7, 1981	\$ 31.0 million
December 8, 1981	\$ 5.0 million	December 9, 1981	\$ 55.0 million
December 15, 1981	\$ 8.0 million	December 16, 1981	\$ 45.0 million
December 18, 1981	\$ 15.0 million	December 21, 1981	\$104.0 million
December 22, 1981	\$ 71.0 million	December 23, 1981	\$106.0 million
December 24, 1981	\$102.0 million	December 28, 1981	\$121.0 million
December 29, 1981	\$ 73.0 million	December 30, 1981	\$ 22.0 million
January 6, 1982	\$ 88.0 million	January 13, 1982	\$ 31.0 million
January 19, 1982	\$ 8.0 million	March* 4, 1982	\$125.0 million
March* 5, 1982	\$ 86.0 million	March 8, 1982	\$ 9.0 million
March* 8, 1982	\$188.0 million	March 9, 1982	\$ 77.0 million
March* 9, 1982	\$216.0 million	March 10, 1982	\$ 90.0 million
March* 10, 1982	\$235.0 million	March* 31, 1982	\$ 64.0 million
April* 6, 1982	\$246.0 million	April** 6, 1982	\$ 76.0 million
April 7, 1982	\$ 93.0 million	April* 7, 1982	\$239.0 million
April** 7, 1982	\$183.0 million	April** 12, 1982	\$ 31.0 million
April 13, 1982	\$ 25.0 million	April* 13, 1982	\$ 42.0 million
April 14, 1982	\$ 27.0 million	April* 14, 1982	\$ 1.0 million
April** 14, 1982	\$ 51.0 million	June 30, 1982	\$ 39.0 million
July 6, 1982	\$ 43.0 million	July 7, 1982	\$ 81.0 million
July* 7, 1982	\$ 27.0 million	July 8, 1982	\$ 7.0 million
September** 15, 1982	\$ 17.0 million	September** 29, 1982	\$ 11.0 million
October** 6, 1982	\$121.0 million	October 8, 1982	\$ 40.0 million
October 11, 1982	\$ 40.0 million	October 12, 1982	\$ 52.0 million
October 13, 1982	\$ 69.0 million	October 14, 1982	\$ 39.0 million
October 20, 1982	\$ 50.0 million	October 21, 1982	\$ 10.0 million
October 28, 1982	\$ 18.0 million	October 29, 1982	\$ 14.0 million

\*Richmond Federal Reserve Bank

\*\*Kansas City Federal Reserve Bank

\*\*\*Philadelphia Federal Reserve Bank

FOREIGN GOVERNMENT OBLIGATIONS PURCHASED BY FEDERAL RESERVE BANKS  
AND USED AS COLLATERAL TO ISSUE FEDERAL RESERVE NOTES (1981-1983)  
(Federal Reserve Bank Principal identified by asterisks)

November** 1, 1982	\$ 30.0 million	November 2, 1982	\$ 25.0 million
November 3, 1982	\$ 66.0 million	November 4, 1982	\$ 38.0 million
November 5, 1982	\$ 91.0 million	November 8, 1982	\$ 42.0 million
November 9, 1982	\$ 75.0 million	November 9, 1982	\$ 15.0 million
November** 10, 1982	\$ 60.0 million	November 10, 1982	\$ 18.0 million
November** 11, 1982	\$ 60.0 million	November 11, 1982	\$ 18.0 million
November** 15, 1982	\$ 47.0 million	November 15, 1982	\$ 25.0 million
November** 16, 1982	\$ 2.0 million	November** 16, 1982	\$ 5.0 million
November** 18, 1982	\$ 51.0 million	November** 19, 1982	\$ 17.0 million
November** 23, 1982	\$ 23.0 million	November** 24, 1982	\$107.0 million
November** 25, 1982	\$107.0 million	November** 26, 1982	\$ 82.0 million
November** 29, 1982	\$ 3.0 million	December** 1, 1982	\$ 89.0 million
December** 2, 1982	\$ 82.0 million	December** 3, 1982	\$ 13.0 million
December** 6, 1982	\$ 75.0 million	December** 7, 1982	\$213.0 million
December** 8, 1982	\$191.0 million	December** 8, 1982	\$ 30.0 million
December** 9, 1982	\$108.0 million	December** 10, 1982	\$ 14.0 million
December** 13, 1982	\$ 77.0 million	December** 14, 1982	\$ 45.0 million
December** 15, 1982	\$ 10.0 million	December** 16, 1982	\$ 66.0 million
December** 17, 1982	\$ 44.0 million	December** 21, 1982	\$ 85.0 million
December** 22, 1982	\$153.0 million	December*** 22, 1982	\$ 21.0 million
December** 23, 1982	\$133.0 million	December** 24, 1982	\$134.0 million
December** 27, 1982	\$ 87.0 million	December** 28, 1982	\$187.0 million
December*** 28, 1982	\$ 36.0 million	December** 29, 1982	\$205.0 million
December*** 29, 1982	\$ 57.0 million	December** 30, 1982	\$143.0 million
December*** 30, 1982	\$ 12.0 million	December** 31, 1982	\$107.0 million
January** 3, 1983	\$ 74.0 million	January** 5, 1983	\$ 4.0 million
January** 6, 1983	\$ 49.0 million	January** 7, 1983	\$ 96.0 million
January** 10, 1983	\$ 57.0 million	January** 11, 1983	\$ 61.0 million
January** 12, 1983	\$ 46.0 million		

\*Richmond Federal Reserve Bank

\*\*Kansas City Federal Reserve Bank

\*\*\*Philadelphia Federal Reserve Bank

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*"Under the Federal Reserve Act panics are scientifically created; the present (1920) is the first scientifically created one, worked out as we figure a mathematical problem."*

CONGRESSMAN CHARLES LINDBURGH

**OREGON FEDERAL RESERVE HEARING**  
**NO PROBLEM, OTHER THAN NUCLEAR WAR, OUTWEIGHS THIS PROBLEM,**  
**SAYS WASHINGTON STATE SENATOR JACK METCALF**

An act of war was perpetrated against United States citizens and their descendants on 23 December 1913. On this day of infamy a private banking cartel affected passage of the Federal Reserve Act, usurped the government, and assumed control of the American destiny, but, Americans don't have to take it anymore.

The battle to restore and defend money and property of U.S. citizens has already begun. Over twenty-five sovereign States have challenged the constitutionality of the Federal Reserve Act. Several State legislatures have memorialized the President and Congress to repeal it, as they are authorized to do under Article 30 of the Act. Some States propose that their Attorney General file suit to force Federal Reserve Banks to disgorge illicit interest paid by tax-paying victims of the system. Reparation to citizens injured by Federal Reserve policies is under consideration.

Authority, indeed, the requirement for State action to protect the interests of the people, is contained in the Constitution, the 'Law of the Land.'

Concept of 'Principal vs Agent' is central to the struggle. The State is the Principal under the Constitution, a contract between sovereign States. Executive, Legislative, and Judicial departments of the Federal government are, therefore, agencies of the State.

Thirteen original nation-states created the Federal government by the first three articles of the Constitution. Each succeeding State entered the Union of States on an equal footing with every other State. Each State is charged to defend and preserve freedoms of person and property guaranteed to their people by the Constitution.

Superior to its creature, the State is constitutionally bound to correct, by action at its highest sovereign capacity, violations of the Constitution by its Agents, and to provide criminal sanctions for transgressors.

Elected State officials, representing their constituencies and responsible to them, are required to take whatever action is necessary to enforce provisions of the Constitution within the borders of the State.

The people, from whom flow all political powers, are responsible for instructing their representatives to confine the functions of government to limitations defined in Articles of the Constitution of the United States.

Correctly claiming that the Federal Reserve Act violates Article 1, section 8 of the Constitution, which authorizes only Congress to 'borrow money on the credit of the United States - and to coin money and regulate the value thereof,' irate Oregon citizens requested public hearings on the

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Fed. Control of the American economy, and dominion over their lives and fortunes should be restored to the people where it rightfully belongs, they charge.

Congress had no sanction from the people to transfer these vast powers to a consortium of international bankers. The people, therefore, call upon their State government to release them from the Federal Reserve System which enriches its class 'A' stockholders and pauperizes the American taxpayer.

Oregon Senate Joint Memorial #12 urging Congress to repeal the Federal Reserve Act, initiated by Jane Button, Treasurer, Columbia County Chapter, Committee to Restore the Constitution, is an example of the burgeoning national campaign.

Spilling into hallways, an overflow crowd observed members of the Oregon Senate Committee on Commerce, Banking and Public Finance, Senator Joyce Cohen, Chairman, give attentive consideration to testimony supporting SJM #12. Twenty individuals requested time to speak on the measure, including Archibald Roberts, Director, Committee to Restore the Constitution, Colorado, and Senator Jack Metcalf, Washington State Legislature.

Following is a transcript from a live tape recording of Senator Metcalf's address, 1 June 1983, State Capitol Building, Salem, Oregon, urging State lawmakers to free their people from the grip of a debit money system.

State Representative Paul Hanneman, who, with Senator Charles Hanlon, sponsored Senate Joint Memorial #12, calling upon Congress to repeal the Federal Reserve Act, introduced the proposal.

#### REPRESENTATIVE HANNEMAN

Madame Chair and members of the committee, I am Paul Hanneman, House District Three, representing portions of Washington, Yamhill, Polk, Lincoln and Tillamook counties. Senator Hanlon and I did co-sponsor Senate Joint Memorial #12 at the request of a number of people who approached us. I am pleased today that so many people are here, I think essentially in support of the memorial and it did occur to us that the proposal had a great deal more support than I originally thought it did.

I am pleased to be a sponsor on it for your discussion and consideration for passage to the Senate floor. The following witnesses will indicate to you how many states have already passed a similar Memorial with, I think nearly or exactly identical language, to the one that we have here in Oregon.

For the record, I support Senate Joint Memorial #12. I will take no further time away, from especially those who have come from out of state, and the many people I see in the room who came several hours traveling distance. I appreciate the opportunity to say hello in support of this Memorial.

#### SENATOR METCALF

Members of the Oregon Senate it is a real pleasure and an honor to be here. I bring you greetings from the Washington State Senate. There was a delegation from the Oregon Legislature that came up to visit us during the session. I might say that we, just last Wednesday, adjourned sine die. Hopefully we will not be back in session in 1983.

Just one personal note, I have four daughters and the youngest, the number four daughter, graduated from Winfield College at McMinville, Oregon. We came down several times, of course, and I'm quite familiar in driving through Oregon. I was reminded as we drove down this morning what a beautiful, fertile land this is. Our ancestors had to come a long way west to get here. We in Washington and Oregon are so lucky to live in this specially favored corner of the nation.

Our country is a favored land. Look at what we have in America. We have a benevolent self-government, natural resources, investment capital, skilled labor, excellent transportation system. Theoretically with all this, there is no limit to the well being of our people. That's theoretically. Let us view the real world in recent years. We have raging double-digit inflation, or we did have, that robs the elderly, and it pauperizes the poor. It steals the sustenance of labor and locks small business into a vise on constant wage-price spiral. To curb inflation, this system prescribes high interest rates that have been up to over twenty percent. That can only be called usurious rates. The high interest rates destroy jobs. It bankrupts small business and farmers. It devastates the housing market. And you all know the effect on

real estate, which is dependent, of course, on housing. The counties in Washington State had, and still have, thirty to forty percent unemployment rates.

What is going wrong between what should be and what really is in America? Something is drastically wrong. Can we isolate the cancer that is gnawing at the vitals of this nation? Can we really find out what it is? And the answer is-yes we can. Small business people know. Labor knows in a deep instinctive way. A growing awareness pervades America. A condition that there is something wrong with our money. There is something drastically and tragically wrong with this money system. That somehow, someone has found a way to take terrible economic advantage of us by manipulation of our money system. Our system forces a trade-off between either raging inflation or high interest rates that bring high unemployment and business stagnation.

I was thirty years a teacher in Washington State and I always looked for-I was a history teacher for the last half of the time-I always looked for words of wisdom from the past and I would just like to bring to you what Benjamin Franklin said that relates directly to what we are talking about today, the Federal Reserve Money System and this Memorial which urges its abolition. Benjamin Franklin said, "The refusal of King George to operate on an honest, colonial money system which freed the ordinary man from the clutches of the manipulators was probably the prime cause of the Revolution." The same cancer that is gnawing at the vitals of America today is probably the prime cause of the Revolutionary War. How did we get where we are today? Well the answer is special interest legislation. A special advantage was granted by government. It happened, it started, in Congress in 1913. Historically a special interest came to Congress in that year and got special interest legislation passed. Now we are all familiar in this setting with special interest. It is the job of the legislature to balance the various needs of the special interest against the very important best interests of the people. And that's our job. I am here to tell you that Congress failed in that job. We are talking about special interests when we are talking about the Federal Reserve. This is something that most people really don't realize. We are talking about a private special interest. The super big eastern money interest. Now, I'm a conservative Republican, and I feel more like a liberal Democrat when I talk about the evils of the

super big eastern money interests. But it is still a fact and I think we should say it.

The Federal Reserve is not a government agency as such. It is a federally chartered, private banking consortium. We have put absolute control of the nation's money system in private hands in America today. "How You Pack It" is an advertisement from the San Francisco Federal Reserve Bank that says, "We are not a part of the government, we are the banks' bank." And if you look at it you'll see that. That's their statement. This private, this Federal Reserve, does not function in the best interests of the people. It was not really designed to. It, like many special interests that come to the legislature, had a special position in mind. Well, they made many promises in 1913. They said among them, the three critical ones. End the boom and bust cycle. The Federal Reserve System would end the boom and bust cycle. It would stabilize the currency and stabilize bank reserves, and would end farm foreclosures. Just look at those three. There was one week not too long ago when there were three thousand farm foreclosures in this nation in one week. They certainly have failed in that count. The scandalous inflation rates and interest rates, to stabilize the currency, we have seen a total failure there.

The boom and bust cycle is worse than ever. We have back to back recessions now, even not counting the terrible recession in 1920 and the Great Depression of the 30's. Judged by the promises made, by any objective standard, or I like to say when weighed in the balance of history, the Federal Reserve System is at best a colossal failure. You might say, "Okay, Metcalf, that's generally, but specifically what's wrong?" There are three things wrong. One is Congressional overspending. I am not going to speak on that today; it's another subject. The second is the Fractional Reserve Banking System which is a part of the Federal Reserve System. And the third thing is the Federal Reserve System itself. And that's what I am going to dwell on today.

There has been a 200 year debate in America and here again the history teacher, I guess shows, as to who should issue this nation's money. What did the founders and the early presidents say on this issue? And I have got some quotes here, and this by the way is also in your packet, this list of quotations. James Madison, our fourth President, the man who was called the Father of the Constitution, he said, "History records that the

money changers have used every form of abuse, intrigue, deceit and violent means possible to maintain their control over governments by controlling the money and its issuance."

Thomas Jefferson didn't like the big banks. I really like his quote. Pretty strong language. He said, "I believe that banking institutions are more dangerous to our liberties than standing armies. The issuing power should be taken from the banks and restored to the government to whom it properly belongs."

If you remember, President Andrew Jackson vetoed the Bank Bill of 1836. They couldn't override the veto and it wiped out the Bank Bill in America. President Jackson said, "If Congress has the right to issue paper money it was given to them to be used by themselves and not to be delegated to individuals or corporations."

Abraham Lincoln said, "The government should create, issue and circulate all the money and currency needed."

In other words, the founders and early presidents said, "Don't let the banks issue the money." Well, why not? What's the difference? Well the difference is specifically, when the banks issue the nation's money, they charge us interest on it. The people and the businesses of America are paying interest on every Federal Reserve dollar in circulation-five hundred billions today-because the government doesn't issue the money. People say, "Wait a minute, what do you mean? The Government doesn't issue the money?" Look at the bills that we use. Take them out and look at them. They don't say United States Notes. They say Federal Reserve Note. Now I have here five different kinds of money, you can't see from a distance, but they look almost exactly the same, at least these three. This one is a Federal Reserve Note. This one is a silver certificate. This one is a United States Note. And I have also a coin. And all these are entirely different kinds of money. I happen to have a Susan B. Anthony Dollar. And the checkbook money that we have. Since checkbook money is denominated in Federal Reserve Notes, it is really the same kind of money as the Federal Reserve Note. But suffice it to say that today there are \$125 billion in circulation in Federal Reserve Notes in America. If that \$125 billion were in United States Notes or silver certificates, as an example, if that change were made, the national debt could be reduced \$125 billion and the interest saved per year would be

about \$10 billion a year, by that simple change. Now \$10 billion doesn't seem to mean too much when you're talking about deficits of \$150 billion. But like the old saying goes, "A billion here, a billion there, pretty soon that adds up to real money." Actually in ten years that amount, just the difference in the currency would save \$100 billion for this government and I think that is significant.

By the way, I made the statement we're paying interest, the people and businesses of America are paying interest to the banks on every Federal Reserve dollar in America. If you have questions I would be real happy to run through a very brief scenario and explain that and make it very clear how that operates. I don't have time for my two hour speech in ten or fifteen minutes. So what I am going to do to summarize is say that there is too much power placed in the hands of any special interests group. Even if this were just totally the United States Government, I would be uncomfortable with that much power placed in those hands. They would tend to look out for their own interests over the people's interest, and that is the proposition that I am submitting to you today. And that is one of the great problems that we have in America. People think that the business cycle, you know the boom and bust cycle, is a natural cycle. People sort of feel that, like the tide, it rises and falls, by natural laws. That isn't true at all. It is proven untrue by empirical evidence today. Very interesting. Congressman Lindburgh was a member of Congress in 1913 at the time of the passage of the Federal Reserve Act. He was a violent opponent of it. He was father of the aviator, and he, Congressman Lindburgh, said of the inflation or the recession-they called it panic then-the recession of 1920, "Under the Federal Reserve Act panics are now scientifically created. The present 1920 one is the first scientifically created one, worked out as we figure a mathematical problem." It's not a natural law at all.

We had a hearing of the National Conference of State Legislatures, I am sure you are aware of it, in Washington, D.C. in December, and I was asked to line up testimony on this issue, the Federal Reserve. Our report, by the way, is in your packet-the report from that National Conference of State Legislatures meeting and I think it makes very interesting reading. Milton Friedman could not be there, he sent testimony. I don't know that this is in your packet, but I would be happy to send you

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his total testimony. But, I want to read you just one quote from the first page. As you know, Milton Friedman has gone back and looked at the empirical evidence, has studied all the statistics, and here is what he says. "From 1929 to 1933 the Fed permitted or forced the quantity of money to decline by one third, thereby converted a serious recession into a major depression. In the process forcing the failure or closing of some five thousand banks, one-third of the number in existence in 1929." In other words the business cycle did not happen by accident, it's caused.

Without going into a lot of detail, I'd like to just comment on an amendment to the Federal Reserve Act-The Monetary Control Act of 1980, passed in 1980. Many people are deeply concerned about the ramifications of that Act. Congressman Ron Paul was very much concerned about it and Congressman Paul did some homework after the passage of The Monetary Control Act of 1980 and he found that one of the things, the powers granted to the Fed that year, was the power to monetize foreign debt. That means to use the assets of America to buy up foreign debts. And, you might say, "Why? What is going on there?" Just a couple of quotes, if you will permit me to read, from Congressman Ron Paul's newsletter. He said,

In 1980, radical changes were made in the Federal Reserve Act, the Monetary Control Act of 1980, allowing a massive increase in the power of the Federal Reserve System. Among those powers is the authority of the Fed to use the debt of foreign nations as collateral for the printing of Federal Reserve notes. That's what is happening in America. This is of the greatest significance in light of the \$850 billion debt owed to the West by Third World and Communist nations. To begin with the foreign bonds of the Fed purchases are bought with paper money backed with our own debt. Then we turn around and use the newly purchased foreign bonds as collateral to print up more Federal Reserve notes. This is responsible for the dramatic increase in the money supply recently. This system of money creation is unbelievable to rational human beings. It will surely lead to a disastrous end to the American dollar.

Congressman Paul published a letter in June of 1982 wherein he delineated \$3.3 billion of foreign

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debt that had been monetized up until that time. After he published the letter, six months or so later, I had a telephone conversation with him and I said, "Congressman we really need you to update that letter. Tell us what further foreign monetizations have taken place." He told me something that was unbelievable, he said, "I am a member of the House Banking and Currency Committee and the Fed will not answer my questions." This went on for months and months. He couldn't get the information as to how the Fed was using the American money system and, essentially, saddling the American taxpayers with foreign debts. He has gotten the information now and now it is up to about \$9 billion.

Just one further quote from Congressman Paul's newsletter.

Mexico owes \$81 billion and Argentina \$39 billion. This is only a small fraction of the total debt owed to Western governments and Western banks. Eastern block communist nations and Third World nations owe over \$850 billion and reasonable people do not expect that this sum will ever be repaid. The race now going on is to finance all this debt to governments, principally the United States, and bail out the international banking system.

This, then, seems to be one of the purposes of the Monetary Control Act of 1980, an extension of Federal Reserve power. He says, "The default which many pretend can be avoided is inevitable. The only question that remains is who the victim will be. The question is, shall it be the bankers or the innocent uninformed American citizens?"

This thing has gotten, by now, completely out of hand. We in Washington State, cognizant of this, and being devastated by the problems in the lumber industry, passed in 1982, Senate Concurrent Resolution 127, that called upon our Attorney General to go to Washington D.C. and file an action challenging the constitutionality of the delegation of the power to create and issue money; delegation to the Fed of the power to create and issue money. Now, our attorney of this past legislature is very concerned about this. The Attorney General declined. And in a way, I can understand. "You know," he said, "Jack, look, this is a pretty heavy issue. How does it appear to you for a small state to go back to the United States Supreme Court and challenge the money system

of the whole western world?" And I agree that that is pretty heavy.

Any other state that has passed legislation such as you're considering today, or a measure like SCR 127, would be very helpful, because I believe the Congress is at the present time unable to act on this issue. Now, it may be necessary for the states to provide the impetus for success in that area.

One question that always comes up. You say, "Well what system would you use to replace it? Given their record would you just place all the power in the hands of the Congress to print money?" Congress doesn't print the money at the present time. The answer is, I wouldn't urge a Constitutional amendment to protect the interests of the citizens. But I would say there are two things absolutely essential, just to answer the question relative to what system should we have. Honest money consists of two things: 1. Money issued by the government upon which is not an evidence of debt and upon which interest is not charged. 2. A stable money supply. Those two things are absolutely essential to an honest money system.

There are many alternative systems that would fit this and they all have advantages and disadvantages. And I'll just run through them very briefly. You could have a gold standard currency. You could have a silver standard currency. You could have a bi-metal system. In this country silver and gold circulated at a 16-1 ratio for many many years. Sixteen ounces of silver was equal, by law, to one ounce of gold. You could have, instead of a standard system, you could have convertibility, convert to metal. There is a state senator in Kansas who advocates a private money system. Some people say we could have a system based entirely upon U.S. notes with a Constitutional amendment to limit the expanding of the money supply. You could base a money system on commodities; grain, oil or whatever. You could base a money system on land value. It could be done. There are advocates of all these systems today.

Actually there are advantages and disadvantages to each of these, but the time is now come to remove this special interest and get a system that best serves the interest of the people. The bottom line is, of course-I am asking, and I hope that many other people are asking-that you pass this Memorial. You can say that it is only a Memorial. It is a Christmas card to Congress. It

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doesn't matter much. Well it does matter a great deal, because they are taking notice. This feeling is growing. I hope we can create an atmosphere where the money system will be an issue of national debate and in many congressional elections all around this country, because in the final analysis it will take an action by Congress to solve this problem. So, I would say to you that the State of Oregon and the Oregon Legislature can play a crucial role in this vital issue of today.

I would like to close with a quote from a man I consider the greatest American President, Thomas Jefferson. He had the ability to look at what we are doing today and to look ahead and to say well if you do this today, this will follow, and this will follow and from this, this will follow, and this will be the end result. Listen to what Thomas Jefferson said about a system allowing the banks to issue the nation's money. He said:

**If the American people ever allow private banks to control the issue of their currency, first by inflation and then by deflation, the banks and the corporations that will grow up around them, will deprive the people of all property until their children wake up homeless on the continent their fathers conquered.**

Thank you very much. I would be happy to answer any questions.

Madame Chair: Are you considering, we read also about the Washington State Pension System, buying part of the Bank of Seattle?

SENATOR METCALF: We have talked about that. We did not authorize it. Frankly, there are some reasons why that should be considered an option. I would frankly much rather have, not have out of state banking able to move into Washington State as we authorized under the law we passed. I voted against it and I would prefer that, but that is pretty hard to say exactly how that will happen.

I would like to just throw in one thing that I forgot. This is a bi-partisan effort. The SCR 127 we passed in Washington State as well as a Memorial, same as the one you are considering today, was sponsored by six Democrat Senators and six Republican Senators and is a bi-partisan effort in our state.

Madame Chair: Are there questions?

Senator McCoy: You mentioned in your remarks that, something to the effect that the Federal Reserve System was more or less the catalyst for the high usury rates. You mentioned usury several times in your remarks. Do you believe that is the cause?

SENATOR METCALF: Yes it is.

Senator McCoy: Okay, go ahead.

SENATOR METCALF: The Federal Reserve does not now, though they should have the power to set interest rates. But they control interest rates by money supply, by the expansion or contraction of the currency. So they do, definitely control interest rates.

Senator Frye: To what extent does the state have a responsibility of doing something about those interest rates that are passed on?

SENATOR METCALF: We have a usury law in our state and I am not sure if you do in Oregon.

Senator Frye: Well, we were unwise enough, to just say, "Come take it all."

Senator Frye: In reference to the Monetary Control Act of 1980, do you know whether there has been any effort made by President Reagan to have that law repealed?

SENATOR METCALF: I have not been aware of any statements he has made to have that law repealed. I think there should be. I think this is one of the most dangerous things that was ever done by Congress.

Senator Frye: Well then I would assume that you and he probably share basically the same philosophy. That's why I thought you might know if he had made any effort to repeal that law.

SENATOR METCALF: I am not aware of any effort. I certainly think that he should have made that effort.

Senator Frye: Would you happen to know whether he has taken a position on the issue that is now before us?

SENATOR METCALF: He has not to my knowledge. I believe there is no issue in America that the President should be more on top of and following. As a conservative Republican, I support Reagan, and I am not being particularly critical because he has a lot of problems. But there is no problem, other than maybe nuclear war, that outweighs this problem for the American people.

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## STATE OF OREGON

### MEMORIAL TO REPEAL FEDERAL RESERVE ACT

62nd OREGON LEGISLATIVE ASSEMBLY  
1983 REGULAR SESSION

#### SENATE JOINT MEMORIAL 12

Sponsored by Senator HANLON, Representative HANNEMAN (at the request of Jane L. Button and Kenneth Schmidt)

#### SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure as introduced.

Memorializes Senate and House of Representatives of United States to repeal Federal Reserve Act.

#### JOINT MEMORIAL

To the Senate and House of Representatives of the United States of America, in Congress assembled:

We, your memorialists, the Sixty-second Legislative Assembly of the State of Oregon, in legislative session assembled, respectfully represent as follows:

WHEREAS Article I, section 8, Constitution of the United States, provides that only the Congress of the United States shall have the power "to borrow Money on the credit of the United States;" and

WHEREAS Article I, section 8, Constitution of the United States, directs that only the Congress of the United States is permitted "to coin Money and regulate the Value thereof;" and

WHEREAS the Federal Reserve Act of 1913 transferred the power to borrow money on the credit of the United States to a consortium of private bankers in violation of the prohibitions of Article I, section 8, Constitution of the United States;" and

WHEREAS the Congress of the United States is without authority to delegate any powers which it has received under the Constitution of the United States established by the People of the United States; and

WHEREAS Article I, section 1, Constitution of the United States, provides that "all legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives;" and

WHEREAS the Federal Reserve Act of 1913 was imposed upon the People of the State of Oregon in violation of the provisions of Article I, section 1, Constitution of the United States; and

WHEREAS the Federal Reserve Banking System, has threatened the integrity of our government through the arbitrary and capricious control and management of the nation's money supply; and

## REPORT

### STATES CHALLENGING CONSTITUTIONALITY OF THE FEDERAL RESERVE ACT OF 1913

*Washington State Senate*      **Jack Metcalf**  
March 15, 1983                      10th District

#### STATES THAT HAVE TAKEN ACTION ON THE FEDERAL RESERVE

1982: Alabama and Arizona passed memorials calling for abolishing the Fed.

North Carolina passed a memorial asking for a shift in the Fed's policy on credit.

Washington passed a Senate Concurrent Resolution calling for a suit in U.S. Supreme Court challenging the constitutionality of the delegation of the power to create money to the Fed and calling for an audit.

Indiana and Nebraska introduced resolutions calling for abolishing the Fed.

1983: Nebraska re-introduced memorial. It failed, but they will try again.

Indiana introduced memorials calling for abolishing the Fed and also calling for an audit. They have passed the House. (Adopted 103d session, 1983)

Virginia's resolution calling for an audit passed the Assembly without a single dissenting vote.

WHEREAS the United States is facing, in the current decade, an economic debacle of massive proportions due in large measure to a continued erosion of our national currency and the resultant high interest rates caused by the policies of the Federal Reserve Board; now, therefore,

BE IT RESOLVED BY THE LEGISLATIVE ASSEMBLY OF THE STATE OF OREGON:

(1) The Congress of the United States is memorialized to enact legislation immediately as is necessary to repeal the Federal Reserve Act.

(2) Copies of this memorial shall be sent to the President of the United States Senate, the Speaker of the House of Representatives and each member of the Oregon Congressional Delegation.

Idaho passed a memorial calling for abolishing the Fed.

Arkansas has introduced a memorial calling for abolishing the Fed; it is in committee.

Oregon has introduced a memorial calling for abolishing the Fed; it is in committee.

Utah's Senate has a memorial with 22 sponsors (out of a 29 member Senate)

Washington's memorial calling for abolishing the Fed has passed a Senate Committee and will be heard on the floor this week. Quick action is expected in the House.

Work is also under way in Montana, Wyoming, Texas, Pennsylvania, South Dakota, Nevada and California. Also Iowa, Florida, Louisiana and Mississippi.

Two other major efforts are being mounted out of California. One is a suit to be filed in District Court in Washington, D.C. challenging the Fed; another an effort to put an initiative on the Fed on the 1984 ballot.

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(206) 321-5483

Institutions Bldg., Olympia, WA 98504  
(206) 753-7618

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## STATE OF INDIANA

### MEMORIAL TO REPEAL FEDERAL RESERVE ACT

INDIANA GENERAL ASSEMBLY

Offered by Representatives: LEE CLINGAN,  
DEAN R. MOCK, DONALD E. HUME,  
RICHARD W. MANGUS

#### HOUSE RESOLUTION NO. 7

#### URGING CONGRESS TO REPEAL THE FEDERAL RESERVE ACT

WHEREAS, Article 1, section 8 of the Constitution of the United States, provides that only the Congress of the United States shall have the power "to borrow money on the credit of the United States" and

WHEREAS, The Federal Reserve Act of December 23, 1913 (Act of December 23, 1913; 38 Stat. 251; 12 U.S.C. 221 et seq.) transferred the power to borrow money on the credit of the United States to a consortium of private bankers in violation of the prohibitions of Article 1, section 8, of the Constitution of the United States; and

WHEREAS, The Congress of the United States is without authority to delegate any powers which it has received under the Constitution of the United States established by the people of the United States; and

WHEREAS, Article 1, section 1, of the Constitution of the United States, provides that "all legislative powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives;" and

WHEREAS, The Federal Reserve Act of December 23, 1913 was imposed upon the people of the State of Indiana in violation of the provisions of Article 1, section 1, of the Constitution of the United States; and

WHEREAS, Members of the Federal Reserve System, a consortium of private bankers, have threatened the very integrity of our national government through their arbitrary and capricious control management of the nation's money supply; and

WHEREAS, The United States is facing, in the current decade, an economic debacle of massive proportions due in large measure to a continued erosion of our national currency and the resultant high interest rates caused by the policies of the Federal Reserve Board; and

WHEREAS, A consortium of private bankers which is not subject to any official periodic review or oversight by Congress has unconstitutionally controlled the economy of the United States through the Federal Reserve Act since 1913; and

WHEREAS, This nation faces an immediate economic crisis. It is extremely urgent that the Congress of the United States act before it is too late by repealing the Federal Reserve Act and restoring the economy of this nation to a sound basis through withdrawal of all "fiat money" now in circulation—the so-called Federal Reserve Notes—and return to the gold standard; Therefore,

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF THE GENERAL ASSEMBLY OF THE STATE OF INDIANA:

SECTION 1. That the Indiana House of Representatives urges the Congress of the United States to enact immediately such legislation as is necessary to repeal the Federal Reserve Act and restore the gold standard.

SECTION 2. That the President of the United States immediately sign the necessary enabling legislation once it reaches his desk.

SECTION 3. That the Principal Clerk of the House of Representatives transmit copies of this resolution to the President of the United States, the President of the United States Senate, the Speaker of the House of Representatives of the United States, and to each member of the United States Senate, and to each member of the House of Representatives.

J. ROBERTS DAILEY      SHARON THUMA  
Speaker of the House      Principal Clerk  
(seal)

Adopted by the Indiana General Assembly, 103rd Session, 1983

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**STATE OF ALABAMA**

Reps. Willis, Boles

H.J.R. 90

**MEMORIALIZING CONGRESS TO  
REPEAL THE FEDERAL RESERVE ACT  
ENROLLED, HOUSE JOINT RESOLUTION**

WHEREAS, The state of Alabama has a duty to support and defend the Constitution of the United States against all enemies, foreign and domestic; and

WHEREAS, The Constitution vests in the Congress of the United States supreme power "to coin money, regulate the value thereof and of foreign coin, and fix the standard of weights and measures;" and

WHEREAS, The Congress passed the Federal Reserve Act in 1913 "... to furnish an elastic currency," and thereby abdicated its duty to the American people to fix a constant lawful value for United States money and thus insure prosperity for honest, law-abiding, productive citizens; and

WHEREAS, The national debt in 1913 was less than TWO BILLION DOLLARS for the entire Nation, while the national debt in 1981 approximates ONE TRILLION DOLLARS; and

WHEREAS, The people of Alabama are suffering the disastrous effects of bankruptcy, unemployment, and privation, when they are ready, willing and able to work for an honest living, but many find themselves unable to do so, for lack of available jobs or capital; and

WHEREAS, The direct effect of the dictatorial control of interest rates exercised by the Board of Governors of the Federal Reserve System has been steeply accelerating and inflationary interest charges, with the consequent and predictable destruction of business, agriculture and industry in Alabama and the Nation; and

WHEREAS, The Federal Reserve Act, Section 19, specifically precludes the State of Alabama from effectively legislating or enacting any lawful ceiling on the extortionate interest rates or usury demanded of our people by the Federal Reserve bankers, thereby immunizing the banks and bankers from any threat of civil or criminal penalty on account of their extortionate monetary demands; and

WHEREAS, The direct effect of the Federal Reserve Act, as amended, is to lay an interest charge upon every single dollar of paper currency which circulates in our State and Nation as a Federal Reserve Note, and it thereby lays an invisible burden on uncontrolled and uncontrollable debt and taxes upon the backs of our people; and

WHEREAS, The United States Government owns no stock in the Federal Reserve System, and the Federal Reserve is not a government agency, and is, in fact, an oppressive and extortionate, privately owned economic monopoly, entirely independent of any real government control, except by means of direct legislative action and intervention by the Congress, which established the Federal Reserve in the first place; and

WHEREAS, Section 30 of the Federal Reserve Act provides the "The right to amend, alter or repeal this Act is expressly reserved," and

WHEREAS, The Honorable Henry Gonzales, United States Congressman from the State of Texas has introduced a Bill, H.R. 4358, in the United States Congress, expressly providing for the immediate repeal of the Federal Reserve Act; now therefore,

**BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALABAMA, BOTH HOUSES THEREOF CONCURRING,** That this body hereby memorializes the Congress of the United States, and especially Alabama's Congressional Delegation, both Senate and House of Representatives, for the immediate passage of this important legislation, H.R. 4358, to the end that peace and prosperity, and the blessings of a Sovereign God may be the lot of our people.

**RESOLVED FURTHER,** That a copy of the resolution be sent to each member of the Alabama Congressional Delegation and to each presiding officer of the United States Congress.

Speaker of the House of Representatives

President and Presiding Officer of the Senate

House of Representatives

I hereby certify that the within House Joint Resolution originated in and was adopted by the House February 9, 1982.

John W. Pemberton  
Clerk

Senate Feb. 25, 1982 Adopted

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**STATE OF TEXAS**

HOUSE OF REPRESENTATIVES

**RESOLUTION TO REPEAL THE FEDERAL  
RESERVE ACT AND RESTORE THE GOLD  
STANDARD.**

By \_\_\_\_\_ H.C.R. No. \_\_\_\_\_  
(Submitted for consideration)

**HOUSE CONCURRENT RESOLUTION**

WHEREAS, Article I, section 8, of the United States Constitution reserves to the United States Congress the power "To borrow Money on the credit of the United States;" and

WHEREAS, The Federal Reserve Act of 1913 transferred this power to an independent consortium of private, regional bankers, this transferral being free of any form of legislative review or oversight, constituting a clear violation of Article I provisions; and

WHEREAS, Article I, section 8, of the United States Constitution reserves to the United States Congress the power "To coin Money, regulate the Value thereof, and of foreign Coin;" and

WHEREAS, The United States has abandoned the gold standard, has ceased redeeming currency in coin, and has floated the value of the dollar; and the Federal Reserve System now issues fiat money in the form of unbacked Federal Reserve notes, this issuance and related monetary control constituting a second major violation of Article I provisions; and

WHEREAS, Article I, section 1, of the United States Constitution provides that "All legislative Powers herein granted shall be vested in a Congress of the United States;" and

WHEREAS, The Congress is without authority to unconditionally delegate its powers, yet has done so by relinquishing them to the Federal Reserve System, this relinquishment constituting a third major violation of Article I provisions; and

WHEREAS, Members of the Federal Reserve System have threatened the very integrity of our national government through their arbitrary and capricious management of the nation's money supply; and

WHEREAS, The United States faces an economic debacle of massive proportions, due in large measure to a continued erosion of our national currency and the resultant high interest rates caused by the policies of the Federal Reserve Board; and

WHEREAS, This crisis makes it imperative that the United States Congress act immediately to repeal the Federal Reserve Act that has been imposed unconstitutionally on the people of this state and nation and to restore a sound economy via a withdrawal of all Federal Reserve notes and a return to the gold standard; now, therefore, be it

**RESOLVED BY THE HOUSE OF REPRESENTATIVES OF THE STATE OF TEXAS, THE SENATE CONCURRING,** That the 68th Legislature hereby request the United States Congress to repeal the Federal Reserve Act and to restore the gold standard; and, be it further

**RESOLVED,** That the Texas Secretary of State forward official copies of this resolution to the President of the United States, to the Speaker of the House of Representatives and President of the Senate of the United States Congress, and to all members of the Texas delegation to the Congress, with the request that it be officially entered in the Congressional Record as a memorial to the Congress of the United States of America.

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## ACTION IN CONGRESS

97th CONGRESS 1st SESSION  
H.R. 4358

To repeal the Federal Reserve Act and transfer the functions formerly carried out under the Act to the Department of the Treasury.

IN THE HOUSE OF REPRESENTATIVES

July 31, 1981

Mr. Gonzalez introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

### A BILL

To repeal the Federal Reserve Act and transfer the functions formerly carried out under the Act to the Department of the Treasury.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

### SHORT TITLE

SECTION 1. This Act shall be known as the "Monetary Policy Reorganization Act."

### REPEAL OF FEDERAL RESERVE ACT

SEC. 2 The Federal Reserve Act is hereby repealed.

### TRANSFER OF FUNCTIONS

SEC. 3. Such functions as were carried out under the Federal Reserve Act on the date of the enactment of this Act are hereby transferred to the Department of the Treasury.

### DEPUTY SECRETARY FOR MONETARY AFFAIRS

SEC. 4. There shall be in the Department of the Treasury a Deputy Secretary for Monetary Affairs, who shall be responsible for administering the functions transferred to the Department under section 3 of this Act. The Deputy Secretary for Monetary Affairs shall be appointed by the President, by and with the advice and consent of the Senate.

### DISPOSAL OF ASSETS

SEC. 5. Within one hundred and eighty days after the date of the enactment of this Act, the Deputy Secretary for Monetary Affairs shall

dispose of all the assets formerly under the custody and control of the Federal Reserve System, except such assets as are necessary to continue essential functions relating to check clearing or other services provided directly to financial institutions in the United States, or such other assets as the Deputy Secretary for Monetary Affairs shall by rule determine to be essential to the carrying out of effective monetary policy for the United States. The proceeds from the sale of such assets shall be paid into the Treasury as miscellaneous receipts.

### ADVISORY COUNCIL

SEC. 6. There is hereby created a Monetary Policy Advisory Council, which shall consist of six members appointed by the President, by and with the advice and consent of the Senate. The Council shall provide advice to the Deputy Secretary for Monetary Affairs relating to all aspects of monetary policy, including those functions carried out by the Federal Open Market Committee prior to the date of the enactment of this Act.

98th CONGRESS 1st SESSION  
H.R. 875

To repeal the Federal Reserve Act.

IN THE HOUSE OF REPRESENTATIVES

January 25, 1983

Mr. Paul introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

### A BILL

To repeal the Federal Reserve Act.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That, one year after the date of the enactment of this Act, the Federal Reserve Act (12 U.S.C. 221 et seq.) is hereby repealed. The Board of Governors of the Federal Reserve System shall take such actions as are necessary to dispose of all assets of the Federal Reserve System, and to achieve an orderly termination of the affairs of the Federal Reserve System, prior to the effective date for the repeal of the Federal Reserve Act.

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*"Some people think that the Federal Reserve Banks are United States Government institutions. They are not Government institutions. They are private monopolies which prey upon the people of these United States for the benefit of themselves and their foreign customers."*

CONGRESSMAN LOUIS T. McFADDEN

## NCSL BEGINS INVESTIGATION OF FED NATIONAL CONFERENCE OF STATE LEGISLATURES QUESTION U.S. ECONOMIC POLICY

In a major policy move at the August, 1983 Quarterly meeting of the National Conference of State Legislatures (NCSL) the Government Operations Committee voted to study the national monetary system.

Washington State Senator Jack Metcalf, NCSL Government Operations Committee, authored and submitted the resolution, which passed by an overwhelming majority.\*

Metcalf commented, "By adopting this resolution, we (legislators) are saying that the Federal Reserve is a colossal failure. Uncontrolled inflation and usurious interest rates are a result of the monetary policies of the Fed. The government pays interest on all Federal Reserve dollars in circulation - practically every piece of paper money now in use. With the federal deficit well over a trillion dollars - and mounting daily - we will continue to pay interest on this debt forever, unless action is taken now."

\*Senator Jack Metcalf, Washington State Legislature, Institutions Building, Olympia, Washington 98504 (206) 753-7618

Metcalf was directed by the committee to provide information leading to a one-year study on state actions that will help protect citizens from the effects of the current policies of the Federal Reserve System. The final report of the year long study will have considerable influence on the various state legislatures and will undoubtedly result in further pressure on Congress to act. It may also result in more direct actions by the states to protect themselves and their citizens.

"Many state legislatures, including Washington's, have passed resolutions demanding Congress do something about the Fed. Individually, each state has limited impact on Congress. United, we have a vast opportunity to impact Congressional actions," Metcalf said.

"Many of our Congressional representatives consider the national debt and the huge powers of the Federal Reserve System as issues they can put on the back burner. But, state elected officials have more opportunity to talk with people. We know that citizens are demanding action now to avoid impending economic disaster," Metcalf concluded.

Text of the resolution is as follows:

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WHEREAS, a Government Operations Committee hearing at the December, 1982 meeting in Washington, D.C. produced evidence that our nation's money system is not properly serving the people of this nation, and

WHEREAS, the impact on our states of inflation, recession, high interest and high unemployment has made proper planning impossible and has severely damaged fiscal responsibility in many states, and

WHEREAS, the Congress has been unwilling or unable to deal with any meaningful monetary reform.

NOW, THEREFORE, BE IT RESOLVED that the Government Operations Committee, either directly or through a sub-committee, study the national monetary system to determine and recommend actions that may be taken by states to protect state governments and our citizens from the ravages of the present malfunctioning money system.

When promoting passage of the Federal Reserve Act of 1913, its sponsors and those working to see it passed made ten promises. They were:

1. To operate entirely under the direction and control of the President and his appointees to the Board of Governors.
2. Pay interest to the government for the privilege of printing Federal Reserve notes as the nation's currency.
3. Perform many banking services for the government free of charge.
4. They would manage the nation's money supply in such a manner that it would stabilize the dollar which, in turn, would keep prices relatively stable.
5. The Act would take the U.S. out from under control of Wall Street.
6. The Federal Reserve would prevent future depressions and eliminate the "boom and bust" cycles.
7. The Fed would be friend and helper to the farmer and to the monetary needs of small businesses.

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8. The new system would remain forever decentralized so each Federal Reserve Bank would have as much influence in monetary policies as the one in New York.
9. The Fed would protect American interests against foreign monetary assaults.
10. The Federal Reserve System would supervise and inspect local banks, provide funds where they were pressed by unexpected demands.

History has shown the Fed has been unable to keep any of these promises. History also records that many of the major promoters of the Act later said it was their greatest mistake. Many tried, without success, to repeal the Act.

**Senator Metcalf urged fellow state legislators to join in a suit before the United States Supreme Court challenging the constitutionality of the Federal Reserve System (Letter, 24 January 1983):**

State legislators are today on the cutting edge of the economic battle. Caught between plummeting state revenues and sharply reduced federal dollars, nearly every state faces a budget crisis.

The major culprits in the economic battle have been years of lavish Congressional overspending and Federal Reserve policies that have both added to the monstrous national debt and also delayed - possibly too long - effective economic recovery. State Legislators have felt defeated; unable to reach or cope with the problem.

But, there is something we can - and must - do. Though we do not have the votes in Congress or on the Federal Reserve Board, sufficient pressure brought from enough state legislatures has historically produced results.

In 1982, the Washington State Legislature decided to act and passed Senate Concurrent Resolution 127 which called for a constitution challenge of the Federal Reserve Act of 1913 and its subsequent amendments.

Armed with SCR 127, Washington State delegates to the July, 1982 National Conference of State Legislatures Meeting requested and were granted a hearing before the Government Operations Committee of NCSL. At the Winter Meeting in Washington, D.C. last December, nine experts presented testimony on the Fed and the nation's money system in general. The major

conclusions drawn from the hearing are of enormous significance to both the state legislatures and the federal government. In brief:

1. Judged by the promises at the time the act was passed (including a stable currency and elimination of boom and bust cycles in the economy), the Fed has to be rated, at best, a colossal failure.
2. The Federal Reserve action of curtailing the nation's money supply by a third in 1929 converted a serious recession into a disastrous depression, destroying 1/3 of the nation's banks in the process; a similar Fed policy in effect in 1981/82 was changed only last October.
3. Judged on the basis of the Constitution and by the intent of its authors, the Federal Reserve Act and amendments are clearly unconstitutional.
4. The present system requiring the people and businesses of America to pay interest to the banks on every Federal Reserve dollar in circulation (total annual interest approximately \$50 billion) is a devastating and needless burden, adding to bankruptcies in a recession and severely hampering recovery. An Honest Money System (debt-free money) is absolutely essential to the economic well-being of the people all across America.
5. An unstable national money supply is a debilitating handicap at best and at worst not only causes, but worsens, the "boom or bust" business cycle so destructive of the people's best interests.

## UNITED STATES ECONOMIC POLICIES AND THE FEDERAL RESERVE SYSTEM\*

The economic disaster that may be just around the corner for the U.S. and for the world is now openly discussed and written about. Economists who warn of collapse are no longer considered "doomsayers." While many factors brought us to this point, there are three major contributors: U.S. banking practices with regard to economically

*\*Remarks prepared by Senator Metcalf for presentation at the Washington, D.C. hearing on federal monetary practices, National Conference of State Legislatures, 10 December 1982.*

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A sixth point, covered in written testimony, was that the people of America now suffer from a needless recession (depression?) brought on by high interest rates artificially created by Federal Reserve actions.

The implications for state legislators are immense. We must determine what we can do to protect our states and our people from the ravages of a fatally flawed national money system. Another hearing is planned at next summer's NCSL meeting, but we cannot afford to wait. Action must begin now.

The immediate and most helpful action any state legislature can take now is to join Washington State in passing a measure similar to SCR 127. With even 2 or 3 more states joining us, a suit may be brought in the original jurisdiction of the U.S. Supreme Court challenging the constitutionality of the present system.

I urge you to introduce and pass such a measure in your current legislative session. My office is prepared to give as much help as possible. We have materials available, can supply sources of further information and I may be able to come to testify or provide other experts to do so. I would appreciate hearing of any action taken in your state and being kept informed of any progress.

There is no doubt that the most important political issue in the last two decades of the 20th Century will be the Federal Reserve System vs. an honest money system for America. Our actions at this very critical time may well determine the economic position of this nation and its people for centuries to come.

distressed countries, decades of U.S. government overspending and the failure of the Federal Reserve System to achieve the goals for which it was created.

The evidence is grim. In August, 1982, auto sales were 35% below the already low sales of a year ago. Housing starts are at the lowest levels in 35 years. Farmers are losing money, even with record crops. In July, 1982, our factories and mines were operating at 69.5% of capacity. Pulp sales are radically depressed. Weyerhaeuser Timber company has no capital investments planned

beyond this quarter. Banks all over the country are merging in an attempt to strengthen failing financial positions; 27 banks had failed up to early September. According to Dunn & Bradstreet, 572 companies bankrupted during the week of August 9th, the highest failure rate since 1932, the deepest year of the Great Depression. Yet, until August, the Federal Reserve System kept interest rates at record highs!

Though President Reagan took dead aim at two of the biggest roadblocks halting economic recovery - runaway federal spending and federal income tax rates - the powerful restorative effects of these historic policy shifts have been delayed for one reason; the Federal Reserve's refusal to loosen its stranglehold on the nation's money supply.

The Federal Reserve System ("Fed") possesses what amounts to life-or-death power over presidential and congressional economic programs. If you asked most Americans what the Fed is and what it does, they'd probably reply that the Fed is just another branch of government. It's not! As the Federal Reserve Bank of San Francisco points out in its own job advertisement in the magazine *Computer World*. "Some people still think we're a branch of government. We're not. We're the bank's bank."

The Fed is a federally chartered, private banking consortium. It is empowered to act with absolutely no control by any elected person or body. Though the President appoints the Board members and they are confirmed by the Senate, they represent the banking community and, once in office, are completely beyond the reach of the public whose lives and businesses are deeply affected by their decisions. Neither their meetings nor the minutes of their meetings are open to the public. There has never been an independent audit of the Fed, thus, no one knows who owns how much stock in it, other than the required stock purchased by member banks under a formula set by the Federal Reserve Act of 1913. The U.S. government owns absolutely no stock in the Fed.

What further proof do we need that the Fed is not an agency of the government than to understand that when the government needs more money, the Fed does not merely create and print it as it would do were it a government agency. No, the Fed creates it as a loan and charges the government interest on it.

It is this private banking system - not the President or the Congress - that controls the nation's money supply and is the major factor controlling interest rates and the economic climate in the United States.

The Federal Reserve System is headed by a seven member Board of Governors, each member appointed by the President and confirmed by the Senate for a 14 year term. The Board is vested with oversight of the nation's money supply and banking system. The Board of Governors, the president of the Federal Reserve Bank in New York and four other Reserve Bank presidents chosen in rotation make up the Federal Open Market Committee (FOMC), who decide whether or not to buy and sell government securities on the open market. It is important to recognize the freedom with which the Board and the FOMC can operate. Once the Senate approves the members of the Board, they are free to do whatever they feel is necessary with no constitutional checks and balances, regardless of the wishes of the President, Congress or the public.

Beneath these two entities, the system consists of 12 Federal Reserve Banks, located in 12 districts. In addition, there are 25 branch banks and numerous member banks. All Federal banks are required to be members. Commercial banks may choose, and 4 of every 10 commercial banks are members of the System; but these banks control 70% of the nation's bank deposits. To belong to the system, member banks agree to deposit a reserve with the Fed.

This network allows the Fed to keep a close watch on the operations of our nation's banking system. But, their most powerful tool is the power, delegated to them by the Federal Reserve Act of 1913, to expand and contract the nation's money supply.

How can the Federal Reserve System create money? By simply touching a computer; literally creating money out of thin air. It is a complex process, but following are two accurate, but simplified, explanations.

At current budget levels, the government spends in excess of receipts by more than \$1 billion each week. This deficit is raised through a process called "monetizing the debt." The government prints a billion dollars worth of interest-bearing U.S. Government bonds and takes them to the

Federal Reserve. The Fed accepts the bonds and enters \$1 billion of credit on their computer, allowing the government to write \$1 billion in checks.

Three points are crucial: (1) Where was the \$1 billion just before the Fed touched the computer? It didn't exist! By monetizing the debit, the Fed created money to buy the bonds. (2) What did the Fed give for the bonds? Nothing! They received \$1 billion in interest bearing bonds without exchanging anything for them. (3) The Fed considers this a loan and will charge interest to the Federal government forever! Therefore, the banking system of this country is paid interest on every paper dollar in circulation.

This same thing occurs when the Fed decides to increase the money supply by selling government securities. This is the province of the Federal Open Market Committee. Once the FOMC decides the money supply should expand, they instruct the open-market desk at the Federal Reserve Bank of New York to buy a certain amount of treasury bills from a securities dealer, paying with a check. The "money" to honor this check is automatically created out of thin air, as earlier mentioned. For this example, securities purchased will be worth \$100 million. The dealer deposits the Fed's check in his bank, which we'll call Bank A, increasing his account and the nation's money supply by \$100 million. Bank A, a member of the Federal Reserve System, must set aside part of the money into a reserve, possibly 15%. Once Bank A puts \$15 million in reserve, they are free to do whatever they want with the remaining \$85 million.

The chain reaction continues when Bank A lends \$85 million to XYZ Company. When XYZ's bank account increases by \$85 million, the nation's money supply also increases by \$85 million. B.I.G. Steel deposits the check into Bank B. Once Bank B puts their 15% into reserve, they have \$72 million more to put back into circulation.

The process continues and the money supply keeps expanding. By the time the sum of reserves set aside by all the banks involved in this particular chain of transactions reaches \$100 million, the net effect on the money supply is staggering. The original \$100 million placed into circulation by the Fed has actually expanded the money supply by over \$600 million. Just like in the previous example, the money exists only on computerized credit and debit sheets.

One technique is to buy back government securities on the open market. The Fed can also change the reserve ratio and the discount rate to influence the activity of member banks. There is vast potential for abuse by insiders who, thus, have advance information regarding major shifts in the economic climate. This obviously could be manipulated into huge profits.

It is the use of these restrictive tools that is exacerbating our present economic crisis. When the Fed contracts the money supply, the government must monetize the debt by borrowing money from the banking system at prevailing rates. This drastically reduces the amount of credit available to businesses and private borrowers. Also, by raising Reserve requirements (or increasing the discount rate) the Fed can decrease the amount of money member banks have to loan. Whether the cause is the Federal Government driving private borrowers out of the credit market, or the Fed restricting lenders, the net result is the same: less money in circulation means higher interest rates and fewer loans, which means decreased business activity and delayed economic recovery.

The Federal Reserve controls the nation's money supply as well as the rate at which it circulates through the economy. Most people do not understand the Fed's power, believing interest rates are the key factor controlling the money supply. However, interest rates are the symptoms, not the source, of our economic malaise. Banks take many factors into account when they set interest rates - a borrower's credit rating, the risk to the bank, and the current rate of inflation. The real key is the size of the money supply, and the rate at which it circulates. With tight money and the Federal Government borrowing on the open market, banks aren't eager to make loans. When member banks are forced to pay a higher discount rate to borrow from the Fed, the added cost is passed on to the borrower as higher interest rates.

The high interest rates that have fueled a worldwide recession and blocked attempts to stimulate economic recovery in the U.S. are the direct result of the Federal Reserve System's decision to enact policies limiting the amount of money in circulation and the rate at which it can be circulated.

The Federal Reserve System possesses awesome influence over U.S. and world economy. Do we

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really benefit from the Fed's use of these potent monetary tools?

The evidence suggests not. When the Federal Reserve System was created in 1913, its proponents argued that a powerful central banking system was necessary if our nation hoped to avoid the boom-and-bust swings in the business cycle that had plagued mankind through history. The Federal Reserve Act was sold to Congress as a way that would guarantee stable economic growth by maintaining a stable money supply.

This hoped-for stability has not occurred. In 1929, 1936-37, 1953, 1955-57, 1960, 1966 and much of the 1970's, the U.S. economy went through notable periods of recession or depression. In each instance, the Federal Reserve had increased, then rapidly decreased the money supply, contributing significantly to the downturn in economic activity.

Recent history suggests things haven't gotten any better. The U.S. is in the middle of the first back-to-back pair of recessionary years in its history. The second shortest period of economic expansion in 100 years (July, 1980 to July, 1981) followed the shortest period of recession in history (January, 1980 to July 1980). The reason for these volatile ups and downs, according to Milton Friedman (*Newsweek*, February 15, 1982) is squarely with the Fed. Friedman argues that a series of wild swings in the size of the money supply over the past 2½ years led to the widest fluctuations in short-term interest rates during the more than a century in which detailed records of American economic activity have been kept. According to Friedman, these erratic changes in the money supply have "put the economy through a dismaying roller coaster." His solution: "steady monetary growth in order for the Fed to regain the confidence of the financial community and for President Reagan's economic program to succeed in both ending inflation and providing a stable basis for health noninflationary economic growth."

By its own definition, the Federal Reserve System is a colossal failure. Ostensibly created to guarantee economic stability, it is in truth a significant source of economic instability. Rather than providing consistent monetary growth, its policies have produced what Friedman calls the "yo-yo" economy.

The concept of a private banking consortium controlling the issuance of our nation's money was not what the Founding Fathers had in mind. The Constitution is very explicit on this point - Congress, and only Congress, has the power to issue money.

The framers of our Constitution had learned from bitter experience what the unrestrained issuance of currency could do to an economy. Shortly after the Declaration of Independence was written, Congress and the 13 original colonies began issuing paper money. The money was not backed by precious metals and no limits were placed on the quantities issued. The resulting inflation nearly destroyed the fledgling Republic before it got started. Therefore, the Constitution, in Article I, Section 8, states "The Congress shall have power . . . to coin money, regulate the value thereof, and of foreign coin."

Men like John Adams, Benjamin Franklin, James Madison, James Monroe and Thomas Jefferson were highly distrustful of the motives of private banking institutions. History had given them good reason to be suspicious. As Jefferson once said, "I believe that banking institutions are more dangerous to our liberties than standing armies . . . The issuing power should be taken from the banks and restored to the government, to whom it properly belongs." James Madison was slightly more colorful, but no less certain, when he said, "History records that the money changers have used every form of abuse, intrigue, deceit and violent means possible to maintain their control over governments by controlling the money and its issuance."

The Founding Fathers understood the importance of a sound money supply. They were cognizant of the difference between "debt" money (money issued simply to finance government debt) as opposed to honest legal tender issued by the government. They knew Constitutional control of the money supply was the only way to protect the people.

There has been a two hundred year struggle in America over "who should issue the nation's money?" The Founding Fathers and early presidents spoke out on this issue. They said, "Don't let the banks issue the money." Either the government issues the money or the banks issue the money. The problem is that when the banks

issue the money they charge us interest on it. Thus, under the Federal Reserve money system, the people and businesses of America pay interest to the banks for the privilege of using our nation's money.

We pay interest, needlessly, on every Federal Reserve dollar in circulation! With approximately \$500 billion in circulation, the interest due is about \$50 billion!

It is time for us to clearly address the problems presented to the American economy by the Federal Reserve System. It is time for us to address the constitutionality of the Federal Reserve Act of 1913, granting those representing the monied interests control over our nation's money supply. It is time for us to truly understand the monetary policies of our country.

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## SOLUTION TO ECONOMIC CRISIS IS LOCAL ORGANIZATION AND CORRECTIVE STATE LEGISLATION

**In the present climate of economic emergency it appears that the greatest stumbling block to acceptance of necessary data for financial survival, and the conclusions which must be reached by the individual, is the feeling of "unreality" which the truth holds for the very people who seek it.**

The impending economic / political disaster is permitted its fantastic rate of growth through no other factor as much as incredulity masked as apathy. The resulting inaction of the people is a powerful propellant to nihilistic doctrine.

Knowledgeable response to crisis is, of course, more difficult than protest. But, protest alone will not defend your family, your money and your

We have a clear choice. Fifty years of deficit spending and debt money has left our nation dangerously near the precipice of economic disaster. We can choose to continue on this ruinous course or we can take steps to guarantee a sound, stable money supply for ourselves and future generations.

Honest money could very well be the most explosive political issue over the remainder of the century. Some in Congress have recognized this and opened the debate - but Congress will not act. As has happened before in our nation's history, it is now the duty of State Legislators all over this nation to accept the challenge, study this problem and demand solutions that protect our states and our citizens.

property. A vital first requirement for financial survival in a hostile political environment is identification of the men, and the system, who direct the course of America to oblivion and her people to a soviet twilight zone.

Now you have the key to unlock the mystery of "the secret government of monetary power," and learn how to defend your money and property against their confiscatory stratagems.

It is wasteful to wrestle with the convoluted, impersonal problems of the world. More real progress will be made in defense of freedom by concentrating your time and energy on economic issues affecting your resources and your family.