Chapter 3 – The History of the Dollar

Our American bankers have found that for which the ancient alchemists sought in vain; they have found that which turns everything into gold - in their own pockets; And it is difficult to persuade them that a system which is so very beneficial to themselves, can be very injurious to the rest of the community.

– William Gouge, A Short History of Paper-money and Banking in the United States (1833)

History shows that once an enormous debt has been incurred by a nation, there are only two ways to solve it: one is simply declare bankruptcy, the other is to inflate the currency and thus destroy the wealth of ordinary citizens.

– Adam Smith

Rising prices of precious metals and other commodities are an indication of a very early stage of an endeavor to move away from paper currencies. We have at this particular stage a fiat money which is essentially money printed by a government and it's usually a central bank which is authorized to do so. Some mechanism has got to be in place that restricts the amount of money which is produced, either a gold standard or a currency board, because unless you do that, all of history suggest that inflation will take hold with very deleterious effects on economic activity… There are numbers of us, myself included, who strongly believe that we did very well in the 1870 to 1914 period with an international gold standard.

– Alan Greenspan, former chairman of the Federal Reserve Board, (2011)

27. How did central banking get started in the US?

Many of the Founding Fathers were strongly opposed to the formation of a central bank because England had tried to place the American colonies under the control of the Bank of England.

Robert Morris, a former government official, founded the first central bank in the US in 1781. He is seen as the father of the system of credit in the United States. His Bank of North America was based on the model of the Bank of England and could create as much money as needed through fractional reserve banking. Interestingly, the bank's collateral was a large quantity of gold that France had lent to the US. Morris' choice for his bank's name was a smart one: it led people to think they were dealing with a governmental bank, while in actual fact it was a private enterprise that had a monopoly on money creation.

Ten years later, after a compromise with Southern lawmakers, the name was changed to the First Bank of the United States (1791–1811). Several Founding Fathers were opposed to the Bank. Thomas Jefferson saw it as a venture for speculation, manipulation and corruption.[54] In 1811, its charter expired and was not renewed by Congress. In 1816, the government authorized the establishment of the Second Bank of the United States. The charter was not renewed in 1836 after a period of runaway inflation which led to a four-year-long depression in 1837. Between 1837 and 1862, only state-chartered banks existed. During this free banking era, many banks were short-lived with an average lifespan of five years.

The American people were against a central bank in private hands because they believed that the crises of 1873, 1893 and 1907 had been caused by the operating methods of international bankers. They also feared that too much power would be concentrated on the East Coast of America. Unfortunately, we now know that they were right.

54 http://en.wikipedia.org/wiki/History_of_central_banking_in_the_United_States

28. When was the Federal Reserve created?

John Pierpont Morgan was the most famous and powerful banker of the early 1900s. After he was compelled to use his private fortune to stem the banking panic of 1907, he decided it was time for a new financial architecture. Soon, New York bankers came up with a brilliant idea. Their idea was start a new central bank that would be run and owned by New York bankers.

By this time, the US was the only major country without a central bank. In November 1910, Republican senator Nelson W. Aldrich joined a number of the most powerful Wall Street bankers for a secretly organized, private ten-day conference on Jekyll Island, the private island of J.P. Morgan. There was only one topic on the agenda: the establishment of a new central bank.[55]

In March 1910, Aldrich told the Wall Street bankers:

> It is a disgrace to this country, with its vast resources, that we are obliged to pay our bills in sterling drafts or in drafts drawn payable in marks or francs in London or Berlin or Paris. The time will come – and it ought to come soon, gentlemen – when the United States will take the place to which she is entitled as the leading financial power in the world.[56]

It was agreed that this bank had to gain the monopoly on printing dollars and should become a private organization owned by the founders (Wall Street bankers). To the outside world, it would not be called a central bank and would act as if it was operated by the government.[57]

55 Eustace Mullins, *The Secrets of the Federal Reserve*, [p.9 & p.22]. http://archive.org/details/TheSecretsOfTheFederalReserve

56 Nomi Prins, *All the Presidents Bankers: The Hidden Alliances that Drive American Power*, New York: Nation Books, 2014.

57 http://nl.wikipedia.org/wiki/Eustace_Mullins

In order to allow the Aldrich[58] plan to succeed, it had to first be heavily promoted among the people and the government. As illustrated above, the establishment of two earlier central banks had ended in fiascos. This may explain why, despite Wall Street's best efforts, the members of the US House of Representatives did not support the Aldrich plan.

Then, during the elections of 1912, a wind of change blew through Washington. Although the Republicans once again presented their plan for establishing a central bank, it was the Democrats who presented the Federal Reserve Act, also in co-operation with the New York bankers group around J.P. Morgan. The thinking behind the Democrats' plan was almost identical to the Aldrich plan but was received much more enthusiastically, although there still was a certain amount of criticism. This was a smart political move by the Wall Street bankers. The Federal Reserve Act contained many features that were needed to overcome the anticipated objections to a US central bank by the American public. The new entity would be a Federal Reserve System instead of a central bank. It would present itself as a collection of regional banks with a Federal Reserve Board to supervise them. The board would not be selected by bankers but by the President of the United States.

In December 1913, many senators assumed that the deciding vote on the Federal Reserve Act would not take place until the New Year. They left Congress to celebrate Christmas at home. Shortly before the holidays, however, a few controversial topics were scrapped from the bill, enabling the law to be passed in the last meeting before the Christmas holidays. The establishment of the Federal Reserve was a fact.

It was the most beautiful Christmas present Wall Street could have wished for. For the third time in US history, the monopoly on the printing of dollars was transferred from government to

58 Named after Senator Nelson Aldrich, the only non-banker of the club. Because Aldrich was a senator, the plan was named after him so that the public would not be suspicious.

private banks. Not many politicians realized the far-reaching consequences this decision would have. Immediately after the introduction of the law, all US banks became compulsory shareholders of the Fed.

29. Is the Fed really independent?

Officially, the Federal Reserve Bank of New York is only one of twelve regional Reserve Banks which make up the Federal Reserve System, together with the Board of Governors in Washington. But while the New York Fed serves only a geographically small area compared with the other Federal Reserve Banks, the New York Fed is the largest Reserve Bank in terms of assets and volume of activity. As a result, the New York Fed is far more important in the Fed system than all the other 11 regional Reserve Banks combined.

When the Federal Reserve Act was signed in 1913, the powerful New York banker Benjamin Strong[59] became president of the Federal Reserve Board (FRB) of New York up until his death in 1928. He drew a lot of power to himself, also within the Federal Open Market Committee (FOMC) where monetary policies were decided, and he often took decisions unilaterally.[60]

The FOMC, which happens to be based in New York, consists of seven governors who are chosen by the US President and five directors of the regional Federal Reserve banks. One of those five always comes from the New York Fed. So while the Federal Reserve presents itself as a normal central bank with twelve districts, the New York Fed is actually running the show. One hundred years after the Federal Reserve started, it is still unknown who precisely owns its shares[61] and how much they paid for them. But it is well known that shareholders are predominantly Wall Street banks.

59 Both were powerful bankers with connections in Europe. Strong was the vice president of the Banker's Trust of New York and friends with the Rothschilds, who in turn had control over the Bank of England. Warburg was a German immigrant who had close ties with the banking fraternity in Germany. He was also a partner of the Kuhn Loeb Bank in New York.

60 Murray N. Rothbard, *The Case Against the Fed*, p. 126.
http://www.lewrockwell.com/1970/01/murray-n-rothbard/the-case-against-the-fed/

61 http://www.federalreserve.gov/aboutthefed/section5.htm

After Strong's death, power remained centralized in New York. Up to this very day, only the New York Fed has a permanent seat on the FOMC and a permanent seat at the Bank for International Settlements, as the official US representation.[62] Furthermore, the New York Fed has the following unique responsibilities:

- Conducting open market operations;
- Intervening in foreign exchange markets (including gold);
- Storing monetary gold for foreign central banks, governments and international agencies;
- Implementing monetary policy and international operations.

At the outset, the founders of the Fed were wary of meddling by the government. For this reason, they decided that the presidents of the twelve regional Federal Reserve Banks (FRD) would be appointed by the participating banks.[63] This means that these are almost completely under the control of the banks.

A great deal of this information is still withheld from students of economics at most universities. Even most economists are not aware that the government does not own the shares of the Fed and that it is in fact Wall Street that controls the Fed instead of the other way around.

62 http://www.ny.frb.org/aboutthefed/fedpoint/fed22.html

63 Frederic S. Mishkin, *The Economics of Money, Banking and Financial Markets*, 2006, p. 314.

30. When was the dollar system born?

Before World War II, the American economy was predominantly inward-looking. After the war, however, US companies realized the growth potential offered by new foreign markets and wanted to benefit from them. The British pound sterling, the world currency before World War I, had weakened significantly after it had left the gold standard in 1914. But this was only temporary, since a gold standard was re-introduced in 1925. Benjamin Strong, in his position as President of the New York Fed, pursued a successful policy of toppling the pound sterling from its position as the dominant international currency and replacing it with the dollar. The final blow to the pound sterling came when the currency was forced off the gold standard for a second time in September 1931.[64]

During both world wars, the dollar had become increasingly important outside of the US, and the US decided in early 1944 that it was time to take advantage of their anticipated victory. The Americans knew that upgrading the status of the dollar to that of a world currency would bring with it significant benefits.

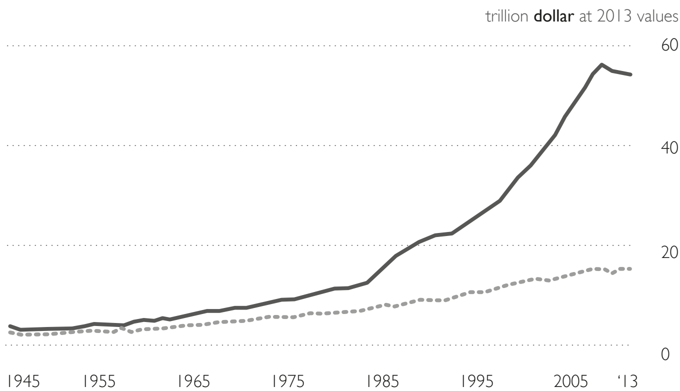
Because several countries (including the UK) had made payments to the US in gold during World War II, and because the US had 'looted' quite a bit of gold, almost two-thirds of all financial gold reserves worldwide were at the disposal of the US at the end of World War. After President Roosevelt's executive order in 1933[65] which forbade individuals from owning gold, a significant amount of privately owned gold was confiscated, thereby considerably increasing US gold supplies as well. All of this gold could now be put to use to back the American dollar as the new world reserve currency.

64 In 1925, the US held 45% of all financial gold stock. (Official Monetary and Financial Institutions Forum, *Gold, the renmimbi and the multi reserve currency system*, 2013)

65 http://www.safehaven.com/article/14339/why-did-the-us-government-confiscate-gold-in-1933-and-can-it-happen-again-part-3

As the war drew to a close and after two and a half years of planning for postwar reconstruction, the US decided to present its proposal for a new international financial system. Finance ministers from 44 countries were invited to attend a conference in 1944 on the future of the world's financial system. This was the famous Bretton Woods conference, named after the forest surrounding the hotel where the conference took place. The idea was to build 'a system of international payments that would allow trade to be conducted without fear of sudden currency depreciation or wild fluctuations in exchange rates'. The US wanted to persuade other countries to support a move to a new monetary system built around the dollar instead of gold.

US real GDP and debt since 1945



Source: Zerohedge

31. What was decided at the Bretton Woods conference?

There were two plans on the drawing board for a new world currency. The economists John Maynard Keynes and Ernst Friedrich Schumacher proposed the creation of a new supranational currency, the Bancor. This idea was backed by the British, who resisted the idea of handing over the benefits of owning the world's reserve currency to the Americans.[66] The new Bancor was to be issued by the yet-to-be-formed International Monetary Fund. No single country would then enjoy the privileged position of owning the world's reserve currency.

The second plan, developed by Harry Dexter White, the chief international economist at the US Treasury during World War II, was a blueprint for the dollar to become the new world currency. As the main creditor nation, the US was eager to take on the role of the world's economic powerhouse. The American plan meant that all commodities would have to be traded in dollars, forcing all countries to buy dollars in order to be able to pay for them. The US would only need to turn on the printing press in order to be able to satisfy the permanent demand for dollars.

An important benefit of having its own currency as the world reserve currency is that the US could finance its trade deficits (when imports exceed exports) inexhaustibly by simply printing more dollars.[67] Wary of the repercussions of such an arrangement, Europe demanded that the dollars be exchangable for gold. After some discussion, it was agreed that countries would be allowed to exchange their excess dollars with the US against a fixed exchange rate of $ 35 for one ounce of gold. The US would in this way be restrained from building up too much debt. The

66 'The greatest blow to Britain next to the war', according to a senior official of the Bank of England (1944) in 'The Bretton Woods Sequel Will Flop' by Gideon Rachman, *The Financial Times*, 11 November 2008. http://www.relooney.info/0_New_3860.pdf

67 Costabile L. (2010), 'The International Circuit of Key Currencies and the Global Crisis: Is there Scope for Reform?' PERI Working paper series, number 220, 4-10.

US reluctantly accepted, secretly hoping that this agreement would be quickly forgotten.

Because of the overwhelming economic and military power of the US and the promise that the dollar would be backed by gold, in the end the participating countries agreed on White's plan. It would mark the start of the United States as the economic superpower for the rest of the 20th century.

32. Why did Europe accept the dollar system?

The French in particular found it difficult to accept the fact the US would be able to finance budget deficits by turning on the printing press. They protested both in 1944 and thereafter against the introduction of this dollar system. But France, like many other European countries, needed financial help at the end of World War II. It therefore accepted the Bretton Woods plan and in return received millions of dollars in special aid. At Bretton Woods, the US also proposed the Marshall Plan, which was designed to help finance Europe after the devastations of the war. Europeans did not know at that time that the Marshall Plan also financed[68] the formation of the Central Intelligence Agency (CIA). Ten percent of Marshall Plan funds was used to finance CIA operations in European countries. This was arranged in secret, without any knowledge or approval by the US Congress.

General de Gaulle understood quite well that France and the rest of the world would have to start financing US deficits by buying up government bonds. Jacques Rueff, France's minister of finance, de Gaulle's main adviser, remarked:

> 'If I had an agreement with my tailor that whatever money I pay him he returns to me the very same day as a loan, I would have no objection at all to ordering more suits from him and my own balance of payments would then be in deficit. Because of this situation, the United States could pay off its balance of payments deficit in paper dollars. (...) As the central banks received dollars, they used them immediately to buy US Treasury Bills or certificates of deposit in New York banks, thus returning the dollars to their country of origin which thus recovered all the assets it had just paid out.'[69]

68 https://www.cia.gov/library/center-for-the-study-of-intelligence/csi-publications/csi-studies/studies/vol51no3/legacy-of-ashes-the-history-of-cia.html
69 Metaphor used by Jacques Rueff to illustrate the privileged position the United States enjoys in the monetary system. *The Monetary Sin of the West*, Mac Millan, 1972

Other European countries were even more dependent on US financial help. After being saved by the Americans from Nazism, not many dared to question their newfound friendship with the US.

33. For how long did the Bretton Woods system work?

Following the Bretton Woods conference, all national currencies became pegged to the dollar, which was linked to gold at a rate of $ 35 per ounce. The dollar was the official world's reserve currency and the anchor of the monetary system. The world now operated under a pseudo gold standard which economists call the 'gold exchange standard'.

Within a few years, American companies were buying up European companies with their overvalued dollars. The US was able to run huge budget deficits. When other countries warned that this could weaken the dollar, the US always promised to bring its deficits down. But this promise rang increasingly hollow amid sharply rising expenses of up to $ 100 billion from the Vietnam War.

The French had already clashed for more than a century with the US over a number of issues. Now they and other European countries became fearful that many more dollars were being created than could be backed by the amount of gold owned by the US.

In the latter part of the 1960s, France and some other countries started to exchange their surplus dollars for gold. President de Gaulle of France even gave a television address in which he explained the US dollar privilege:[70]

> 'The fact that many countries accept as a principle dollars being as good as gold for the payment of the differences existing for their advantage in the American balance of trade. This very fact leads Americans to get into debt, and get into debt for free at the expense of other countires at least in part with dollars only they are allowed to emit. Considering the serious consequences a crisis would have under such a system we think that measures must be taken in time to avoid it. We

70 http://www.youtube.com/watch?v=EjRLsAzW6e4

consider it necessary that international trade be established as it was before the great misfortunes of the world on an indisputable monetary base, one that does not bear the mark of any particular country. Which base? In truth, who can see, how one can have any real standard critereon, other than gold?'

France started by demanding gold in exchange for $ 150 million of their financial reserves and was planning to convert another $ 150 million. De Gaulle even sent the French navy to the US to transport the gold bars back home. Many other European countries followed. In this way, Germany's gold reserves increased from zero to 3,500 metric tonnes, Italy from just over 220 to 2,500 metric tonnes, France from almost 600 to 3,100 metric tonnes, and the Netherlands from 300 to almost 1,700 metric tonnes.

In early 1971, the Dutch Central Bank (DNB) successfully swapped nearly a billion dollars for gold. Paul Volcker, an important Treasury official who would later become Chairman of the Fed, was sent to Holland to try to change DNB President Jelle Zijlstra's mind.[71]

'You are rocking the boat', Volcker is said to have remarked. Zijlstra then replied, 'Well if this rocks the boat, then the boat is not very solid'.

71 http://marketupdate.nl/nieuws/economie/valutacrisis/dr-zijlstras-final-settlement-gold-as-the-monetary-cosmos-sun/
http://www.coinweek.com/commentary/opinion/former-central-banker-confirms-us-government-gold-price-suppression-efforts/

34. When did the US close its 'gold window'?

Between 1959 and 1971, the US lost over half of its gold reserves of over 20,000 metric tonnes. If this process had continued at the same rate, the US would have risked losing all its gold holdings within a few years' time. In the summer of 1971, President Richard Nixon refused a request by the Bank of England to exchange a few hundred million dollars for gold. After rejecting the British request, President Nixon asked his economic advisors for advice. Their verdict was short but sweet: 'Break the promise that the dollar can be exchanged for gold.'

Nixon followed their advice and on 15 August 1971 gave a live TV address announcing what he called his New Economic Policy. Nixon interrupted the most popular TV show in America, Bonanza, to announce that he would be introducing immediate wage and price controls, a 10% surtax on imports, and the closing of the gold window:[72]

> 'I have directed Secretary Connolly to suspend, temporarily, the convertibility of the American dollar into gold... In full cooperation with the IMF and those who trade with us, we will press for the necessary reforms to set up an urgently needed new international monetary system.'

As we now know, the closing of the gold window was not temporary, of course. And this book argues that we are still waiting for the new international monetary system promised by Nixon. But 1971 was a big financial reset when gold was repriced to $ 38 per ounce (and then again to $ 42 per ounce in 1973).

72 http://www.youtube.com/watch?v=iRzr1QU6K1o

35. How did the world react to Nixon's decision in 1971?

Technically speaking, America defaulted in August 1971, since the country could no longer fulfill the obligations agreed upon in Bretton Woods. But surprisingly, the Nixon shock created only a relatively short dollar panic in the world's financial markets.

Jacques Rueff warned in his book *The Monetary Sin of the West* (1971) about the long-term negative effects of inflationary policies. He explained that the use of a fiat dollar as a world reserve currency would cause worldwide inflation for years. The 'exorbitant privilege' allowed the US to run huge deficits but would be 'suicidal' for Western economies, he predicted. European countries were shocked when they later learned that the US had been planning to devalue the dollar even further. This led to panic buying of D-marks in the summer of 1972. In October 1978, the US dollar almost completely collapsed after a new wave of panic buying of D-marks and Swiss francs.

The fact that the dollar has survived as a reserve currency surprised many, including the Americans themselves. At first, the inflation caused by the printing of extra dollars was moderate, but later in the 1970s, inflation began to take off, leading to a severe recession in 1979 and 1980. It would take years of strong leadership by Fed Chairman Paul Volcker to tame inflation and make the dollar a 'strong' currency again. In June 1981, Volcker raised the federal funds rate to 20%. The shock therapy worked. Inflation collapsed from over 12% in 1980 to 1% in 1986, and the price of gold dived from $ 612 to $ 300. The dollar started to regain strength, especially when the greenback showed itself to be a safe-haven currency during the Mexican peso crisis in 1994 and the 1997 Asian crisis.

With the strengthening of the dollar, the need for a new international monetary system appeared to evaporate. However, this need is now more urgent than ever.

36. How important is the worldwide oil trade for the survival of the dollar?

After the short-lived dollar panic of 1971, the United States understood that a lack of trust in the dollar was going to be a problem. Clearly, some other backing for the dollar was urgently needed. President Nixon and his Secretary of State, Henry Kissinger, feared a decline in the relative global demand for the US dollar. They sought a way to stabilize the dollar to maintain its global reserve currency status.

Henry Kissinger came up with the idea[73] of asking Saudi Arabia to agree to only sell oil in dollars and to reinvest these dollars in US Treasuries.[74] The money that the US government received in this manner, now known as petrodollars, could then be recycled into the American economy.[75] This arrangement would require a constant increase in the supply of dollars.

After a series of meetings, the Saudis accepted the American proposal. In return, Saudi Arabia was to receive any military protection needed for its royal family and its growing oil empire. The US also promised to help the country build a modern infrastructure (using American companies, of course). Thus, the US had found a way to protect its economic hegemony.

Other OPEC countries followed suit and by 1975 all of OPEC had agreed to only sell their oil in dollars. Part of the deal was that they would all invest their surplus oil proceeds in US Treasuries in exchange for similar offers by the US. The modernization of the Middle East could begin. Dubai, a relatively small trading city in the United Arab Emirates with no running water until 1961, was to become a worldwide trading hub in the ensuing 40 years.

73 http://www.thepeopleshistory.net/2013/06/understanding-petrodollar-means.html.

74 David E. Spiro, *The Hidden Hand of American Hegemony: Petrodollar Recycling and International Markets*, 1999.

75 http://en.wikipedia.org/wiki/Petrodollar_recycling.

It is no surprise that countries that chose to sell their oil for currencies other than the dollar were to meet serious opposition from the US. In 2000, Iraq converted all its oil transactions under the Oil for Food program into euros.[76] When the US invaded Iraq three years later, oil sales from this country switched from the euro back to dollars instantly.

Iran created its own oil bourse in 2008.[77] It started selling oil in gold, euros, dollars and yen. Venezuela supported Iran's decision to sell oil for euros. Libya also presented a threat to the petrodollar in 2010. Muammar Gaddafi wanted to create a pan-African currency called the gold dinar that could be used for their oil transactions. After the 'revolution' in 2012, Libya continued to sell oil in dollars. Syria had switched to euros in 2006,[78] and the US has been seeking a regime change ever since.

In his 2005 book *Petrodollar Warfare: Oil, Iraq and the Future of the Dollar*, William R. Clarke explains that the US-UK decision to invade Iraq in 2003 was oil-driven. According to him, the petrodollar system was the driving force behind US foreign policy.[79] It seems no coincidence that the Bush family has had close personal ties with the Saudi Royal Family since the 1970s. And even Alan Greenspan, who served as Fed Chairman for almost two decades, wrote in his memoirs:

> I am saddened that it is politically inconvenient to acknowledge what everyone knows: the Iraq war is largely about oil.[80]

76 http://www.rferl.org/content/article/1095057.html.

77 http://en.wikipedia.org/wiki/Iranian_Oil_Bourse.

78 http://www.informationclearinghouse.info/article11894.htm.

79 http://www.zerohedge.com/news/2013-05-20/guest-post-coming-collapse-petrodollar-system.

80 http://www.theguardian.com/world/2007/sep/16/iraq.iraqtimeline.

The former US Congressman and Presidential candidate Ron Paul wrote about the Iraq war in 2006:

> In November 2000 Saddam Hussein demanded euros for his oil. His arrogance was a threat to the dollar; his lack of any military might was never a threat. At the first cabinet meeting with the new administration in 2001, as reported by Treasury Secretary Paul O'Neill, the major topic was how we would get rid of Saddam Hussein – though there was no evidence whatsoever he posed a threat to us. This deep concern for Saddam Hussein surprised and shocked O'Neill. It now is common knowledge that the immediate reaction of the administration after 9/11 revolved around how they could connect Saddam Hussein to the attacks, to justify an invasion and overthrow of his government. Even with no evidence of any connection to 9/11, or evidence of weapons of mass destruction, public and congressional support was generated through distortions and flat out misrepresentation of the facts to justify overthrowing Saddam Hussein. There was no public talk of removing Saddam Hussein because of his attack on the integrity of the dollar as a reserve currency by selling oil in euros. Many believe this was the real reason for our obsession with Iraq. I doubt it was the only reason, but it may well have played a significant role in our motivation to wage war. Within a very short period after the military victory, all Iraqi oil sales were carried out in dollars. The euro was abandoned. In 2001, Venezuela's ambassador to Russia spoke of Venezuela switching to the euro for all their oil sales. Within a year there was a coup attempt against Chavez, reportedly with assistance from our CIA. After these attempts to nudge the euro toward replacing the dollar as the world's reserve currency were met with resistance, the sharp fall of the dollar against the euro was reversed. These events may well have played a significant role in maintaining dollar dominance. It's become clear the US administration was sympathetic to those who plotted the overthrow of Chavez, and was embarrassed

by its failure. The fact that Chavez was democratically elected had little influence on which side we supported. [...] Now Iran, especially since she's made plans for pricing oil in euros, has been on the receiving end of a propaganda war not unlike that waged against Iraq before our invasion. It's not likely that maintaining dollar supremacy was the only motivating factor for the war against Iraq, nor for agitating against Iran. Though the real reasons for going to war are complex, we now know the reasons given before the war started, like the presence of weapons of mass destruction and Saddam Hussein's connection to 9/11, were false. The dollar's importance is obvious, but this does not diminish the influence of the distinct plans laid out years ago by the neo-conservatives to remake the Middle East. Israel's influence, as well as that of the Christian Zionists, likewise played a role in prosecuting this war. [...] The license to create money out of thin air allows the bills to be paid through price inflation. American citizens, as well as average citizens of Japan, China, and other countries suffer from price inflation, which represents the 'tax' that pays the bills for our military adventures. That is until the fraud is discovered, and the foreign producers decide not to take dollars nor hold them very long in payment for their goods. Everything possible is done to prevent the fraud of the monetary system from being exposed to the masses who suffer from it. If oil markets replace dollars with euros, it would in time curtail our ability to continue to print, without restraint, the world's reserve currency. It is an unbelievable benefit to us to import valuable goods and export depreciating dollars. The exporting countries have become addicted to our purchases for their economic growth. This dependency makes them allies in continuing the fraud, and their participation keeps the dollar's value artificially high. If this system were workable long term, American citizens would never have to work again. We too could enjoy 'bread and circuses' just as the Romans did, but their gold finally ran out and the inability of Rome to continue to plunder conquered nations brought an end to her empire. The same thing will happen to us if we don't change our ways. Though we don't occupy foreign countries to directly plunder, we nevertheless have spread our troops across 130 nations of the world. Our intense effort to spread our power in the oil-rich Middle East is not a coincidence. But unlike the old days, we don't declare direct ownership of the natural resources – we just insist that we can buy what we want and pay for it with our paper money. Any country that challenges our authority does so at great risk. Once again Congress has bought into the war propaganda against Iran, just as it did against Iraq. Arguments are now made for attacking Iran economically, and militarily if necessary. These arguments are all based on the same false reasons given for the ill-fated and costly occupation of Iraq. Our whole economic system depends on continuing the current monetary arrangement, which means recycling the dollar is crucial. [...] There are no other countries that can challenge our military superiority, and therefore they have little choice but to accept the dollars we declare are today's 'gold.' This is why countries that challenge the system – like Iraq, Iran and Venezuela – become targets of our plans for regime change. Ironically, dollar superiority depends on our strong military, and our strong military depends on the dollar. As long as foreign recipients take our dollars for real goods and are willing to finance our extravagant consumption and militarism, the status quo will continue regardless of how huge our foreign debt and current account deficit become. [...] Concern for pricing oil only in dollars helps explain our willingness to drop everything and teach Saddam Hussein a lesson for his defiance in demanding euros for oil. And once again there's this urgent call for sanctions and threats of force against Iran at the precise time Iran is opening a new oil exchange with all transactions in euros. Using force to compel people to accept money without real value can only work in the short run. It ultimately leads to economic dislocation, both domestic and international, and always ends with a price to be paid. The economic law that honest exchange demands only things of real value as currency cannot be repealed. The chaos that one day will ensue from our 35-year experiment with worldwide fiat money will require a return to money of real value. We will know that day is approaching when oil-producing countries demand gold, or its equivalent, for their oil rather than dollars or euros. The sooner the better.[81]

So the real challenge for the petrodollar trade would be if the BRICS – Brazil, Russia, India, China and South Africa – were to decide to drop the dollar in their trading transactions.

81 http://www.informationclearinghouse.info/article11946.htm.

37. Is this all is part of the financial economic war played by the US?

The US understands better than anybody else that a country can sometimes be hurt more by destroying the value of its currency than by bombing its infrastructure. The Oxford English Dictionary defines economic warfare as involving 'an economic strategy based on the use of measures of which the primary effect is to weaken the economy of another state.' Economic warfare aims to capture or otherwise control the supply of critical economic resources or destroying a countries currency.[82]

A recent example of financial economic warfare was the sudden crash of the price of oil and value of the ruble soon after the annexation of the Crimea by Russia, in the second part of 2014. In less than six months the price of oil halved. This large drop could not be explained solely by fundamentals like supply and demand. Some market commentators said it reminded them of the Cold War era when the US and the former USSR competed not only in a military way, but also tried 'to play the economy'. Because the USSR was increasingly more dependent on food imports, especially grain, the export of oil had to bring in enough dollars. The US decided to use its influence on Saudi Arabia (OPEC) and persuaded them to expand the supply of oil, making the oil price plunge in the 1980s. It would soon prove to be a fatal attack for Russia and the Soviet Union collapsed in 1991. The fact that Saudi Arabia in 2014 again increased its oil production fuelled rumours of a new economic war against Russia.[83] The collapse of the oil price led to collapse of the Russian ruble.

In 2015, Herman Gref, the German-Russian CEO of the Russian Sberbank, confirmed that Russia had come under a financial

82 Policies followed in economic warfare may include blockade, blacklisting, preclusive purchasing or manipulating the value of a country's currency.

83 http://www.bbc.com/news/blogs-echochambers-29651742.

economic attack in December. He disclosed a foreign-based attempt to provoke a bank run during the December ruble crisis.[84]

In an interview he said that about $6 billion had been withdrawn from the Sberbank in a single day after 'a massive information attack, with people receiving text messages saying it was facing problems paying out deposits [...] Unfortunately, we could not avoid the panic. You saw what happened. But I can only say this: first, the attack was coordinated, thousands of SMS-messages were sent in each region, including a large number of mailings done from foreign websites [...] target was to destabilize the country's largest bank and financial situation in the country.'

According to him, the $6 billion withdrawn on 18 December 2014 made it the 'biggest bank run in Russian history.'

Gref could not disclose precisely who was behind the bank run:

> But we do have specific sites and IP-addresses these mailings were sent from, we even know who these addresses belong to. Not all of them are within our reach. But there is no doubt it was a well-planned provocation.

84 http://www.rt.com/business/262685-gref-attack-sberbank-provocation/.

38. Is there further confirmation of this kind of financial economic warfare?

In May 2015, the US had a number of high ranking FIFA officials arrested in Switzerland in connection to a bribery case. Most observers did not understand that the US action was designed to pressure FIFA,[85] 'urging it to consider removing Russia as host of the 2018 FIFA World Cup because of its role in the Ukraine crisis and occupation of Crimea,' as Reuters has been reporting. In a letter to FIFA, a group of US senators wrote:

> Allowing Russia to host the FIFA World Cup inappropriately bolsters the prestige of the [Russian President, Vladimir] Putin regime at a time when it should be condemned and provides economic relief at a time when much of the international community is imposing economic sanctions.

Klaus Stolhker, a personal consultant to FIFA-president Sepp Blatter, confirmed to Russian TV that the US is fighting 'a war' against Russia:[86]

> FIFA needs to defend itself from an attack by the Americans […] We in Switzerland, we are used to hav[ing] the Americans inside our doors. That's not only with the banks; that also happens now with FIFA. So the Americans step inside our doors, and now we have to fight to defend, like the banks defended themselves, we have to defend FIFA. And there are really tremendous discussions, not only in Europe, but also in the US, if what the Americans did in the last weeks and months is really correct. That discussion is also going on in the US […] now we have a war between the US and Russia, between the Americans and Putin […] The Americans, who

85 http://www.reuters.com/article/2015/04/01/us-soccer-fifa-congress-idUSKBN0MS52G20150401.

86 http://rt.com/op-edge/267703-blatter-consultant-fifa-scandal/.

> don't understand anything of football, they don't trust Blatter. They trust only themselves [...] But, you see, if the Americans are blockading Russia; that will be tough. And so that's why I said: it's war.

China and Russia were also shocked to learn how the US has used the SWIFT[87] international payment system. SWIFT provides a network that enables financial institutions worldwide to send and receive information about financial transactions in a secure way. Almost all international financial institutions (over 9,000 in 209 countries) use the SWIFT network. In 2014, the United Kingdom pressed the EU to block Russia from the SWIFT network as a sanction for the Russian aggression in Ukraine. SWIFT refused. China responded quickly and launched its own alternative, the China International Payment System (CIPS).

When Edward Snowdon published his stream of NSA secrets, we learned that the US has a program to access the SWIFT transaction database (Terrorist Finance Tracking Program) in order to monitor banking- and credit card transactions. Soon after, the Belgian government declared that this was a breach of Belgian and European privacy laws.[88]

Earlier in 2012, the US Senate Banking Committee approved sanctions against SWIFT aimed at pressuring the Belgian financial telecommunications network to terminate its ties with blacklisted Iranian banks. Initially, SWIFT denied it was acting illegally but in March 2012 SWIFT disconnected all Iranian banks from its international network.

Alastair Crooke, a former MI6 official and previously an adviser on the Middle East to EU Foreign Policy Chief Javier Solana,

87 The Society for Worldwide Interbank Financial Telecommunication, Business Identifier Codes (BICs) are popularly known as 'SWIFT codes'.

88 A Danish newspaper reported that US authorities 'used' SWIFT to seize money being transferred between two EU countries (Denmark and Germany). The $26,000 was a payment for Cuban cigars imported to Germany by a German supplier. According to the US Treasury, the Danish businessman had violated the US embargo against Cuba.

is one of a few individuals who has been very open about the purpose of this kind of financial and economic warfare:[89]

> We have a dollar-based financial system, and through instrumentalizing America's position as controller of all dollar transactions, the US has been able to bypass the old tools of diplomacy and the UN – in order to further its aims […] This essentially constitutes the financialization of the global order: The International Order depends more on control by the US Treasury and Federal Reserve than on the UN as before […] It started principally with Iran and it has been developed subsequently. In a book, 'Treasury's War,' the tool of exclusion from the dollar-denominated global financial system is described as a 'neutron bomb.' When a country is to be isolated, a 'scarlet letter' is issued by the US Treasury that asserts that such-and-such bank is somehow suspected of being linked to a terrorist movement – or of being involved in money laundering. The author of 'Treasury's War' [Juan Zarate], who was the chief architect of modern financial warfare and a former senior Treasury and White House official, says this scarlet letter constitutes a more potent bomb than any military weapon. […] But with Ukraine, we have entered a new era: We have a substantial, geostrategic conflict taking place, but it's effectively a geo-financial war between the US and Russia. We have the collapse in the oil prices; we have the currency wars; we have the contrived 'shorting' – selling short – of the ruble. We have a geo-financial war, and what we are seeing as a consequence of this geo-financial war is that first of all, it has brought about a close alliance between Russia and China. China understands that Russia constitutes the first domino; if Russia is to fall, China will be next. These two states are together moving to create a parallel financial system, disentangled from the Western financial system. It includes replicating SWIFT [Society for Worldwide Interbank

89 http://russia-insider.com/en/print/3126.

Financial Telecommunication] and creating entities such as the Asian Development Bank. One of the principal tools in the hands of Washington to control the global system was always the International Monetary Fund [IMF]. Nations have to go to the IMF to ask for financial help, when in difficulties, but recently it was China – and not the IMF – which bailed out Venezuela, Argentina and Russia as their currencies crashed. China became concerned when the ruble crashed on Dec. 16-17, and intervened to halt a run on the currency. The IMF and the World Bank were no longer at the center of the global financial order. They had been displaced by China. [...] In short, China is operating as a backstop to a financial system that is in the process of shifting dramatically away from Western control. And it affects the Middle East. [...] For the first time, too, we see the end of the petro-dollar as a system for recirculating oil revenues to Wall Street. For the first time, it has turned negative: It is sucking liquidity out from Wall Street, not putting it in. The fall in the price of oil has suddenly created huge financial turbulence, which is endangering the global financial system. [...] There was a decision by Saudi Arabia to reduce the price of oil for two reasons: to hurt Iran and to put pressure on Russia to change its stance and drop its support for President [Bashar al-]Assad. The Saudi determination to get rid of Assad remains extremely strong in Riyadh. [...] The market had been artificially inflated by the oil companies lending crude oil to financial investors who want a hedge against inflation and currency fluctuations. Investors were borrowing physical oil, which made them feel safe, and knew that the oil companies would eventually repurchase the physical oil from them in due time. With the fall of the price of oil, all of this purely investment demand vanished, and the price dropped further. One sees something similar in the gold market, where only 10 percent of gold transactions involve the transfer of ownership of actual gold. The other 90 percent are simply paper bets on the price of gold, but which never result in the purchase or sale of actual gold.

Cooke is not the only expert who dares to be open about this new form of economic warfare. According to another publication, Rashid Abanmy, president of the Riyadh-based Saudi Arabia Oil Policies and Strategic Expectations Center has also remarked that 'the dramatic price collapse is being deliberately caused by the Saudis.' According to him, the real reason for the collapse of the oil price was 'to put pressure on Iran on her nuclear program, and on Russia to end her support for Bashar al-Assad in Syria.'[90] More than half of Russian state revenue comes from its export of oil and gas.

90 http://www.globalresearch.ca/the-secret-stupid-saudi-us-deal-on-syria/5410130.

39. Is the US the mastermind behind this new form of warfare?

According to a publication by the very well informed journalist Ambrose Evans-Pritchard, who has been a Washington-based correspondent for the Telegraph for many years,[91] the US Treasury has a department working 'a financial neutron bomb.'

> For the past 12 years an elite cell at the US Treasury has been sharpening the tools of economic warfare, designing ways to bring almost any country to its knees without firing a shot. The strategy relies on hegemonic control over the global banking system, buttressed by a network of allies and the reluctant acquiescence of neutral states. Let us call this the Manhattan Project of the early 21st century.

Evans-Pritchard published an interview with Juan Zarate, a former Treasury and White House official, and author of *Treasury's War: The Unleashing of a New Era of Financial Warfare*:

> The new geo-economic game may be more efficient and subtle than past geopolitical competitions, but it is no less ruthless and destructive. The stealth weapon is a 'scarlet letter', devised under Section 311 of the US Patriot Act. Once a bank is tainted in this way – accused of money-laundering or underwriting terrorist activities, a suitably loose offence – it becomes radioactive, caught in the boa constrictor's lethal embrace. This can be a death sentence even if the lender has no operations in the US. European banks do not dare to defy US regulators. They sever all dealings with the victim [...] The US can 'go it alone' with sanctions if necessary. It therefore hardly matters whether or not the EU drags its feet

91 http://www.telegraph.co.uk/finance/comment/ambroseevans_pritchard/10771069/US-financial-showdown-with-Russia-is-more-dangerous-than-it-looks-for-both-sides.html.

> over Ukraine, opting for the lowest common denominator to keep Bulgaria, Cyprus, Hungary and Luxembourg on board. Washington has the power to dictate the pace for them. The new arsenal was first deployed against Ukraine – of all places – in December 2002. Its banks were accused of laundering funds from Russia's organized crime rings. Kiev capitulated in short order. Burma, North Cyprus, Belarus and Latvia were felled one by one, all forced to comply with US demands. North Korea was then paralyzed. The biggest prize yet has been Iran, finally brought to the table.

Iran's President Mahmoud Ahmadinejad has been commenting on this new form of warfare as well and remarked, according to the same Telegraph report, that:

> A hidden war is under way, on a very far-reaching global scale. This is a kind of war through which the enemy assumes it can defeat the Iranian nation.

So the recent Russian activities, selling US Treasuries and buying gold, can be seen as a reaction to the financial war started by the US, and best described by Putin's economic advisor Sergei Glazyev:[92]

> Of course, all the freely convertible currencies are today under American control: The euro through NATO mechanisms, the pound through the US alliance with Great Britain, the yen through Japan's political dependence on the US. Nevertheless, assets in our trading partners' currencies are, to a certain extent, a replacement [for keeping international reserves in US Treasuries]. So are precious metals. I believe that in a situation of growing military and political confrontation the gold price will move up again. And let's not forget that

92 http://www.bloombergview.com/articles/2014-11-13/putin-is-the-biggest-gold-bug.

America's refusal to honour their debt will undermine trust on the dollar not just in this country but in others. It will be a step toward the end of the American financial empire. It will give us a chance to be among the first to suggest a new configuration for the world financial system, in which the role of national currencies would be significantly higher.

40. Why is this dollar hegemony so important for the US?

Great nations have great currencies and great currencies can give countries great power so they can even grow into empires, political scientist Jonathan Kirshner once said. He explained it a little more in detail:

> Monetary power is a remarkably efficient component of state power […] the most potent instrument of economic coercion available to states in a position to exercise it. Monetary hegemony can bring enormous economic benefits and power for the hegemon. The two best examples in the last two centuries of course are Britain and the US. Both have benefitted tremendously from their monetary hegemony. The British Empire reigned for over three hundred years, but in the 1870s the size of the US economy surpassed that of Britain. The US became the world's biggest exporter around 1915, but the dollar only became the world's reserve currency since the Bretton Woods conference in 1944. It has helped the US to become a true financial economic hegemon. The dollar hegemony has become the most important pillar of the US hegemony, while many say the American military hegemony is used and abused for the monetary hegemony.

In order to maintain its monetary hegemony, the United States must weaken any potential competitors who will possibly challenge US monetary hegemony. Wars in the Middle East are fought to strengthen the dollar's position and fight regimes that have been supporting Russia. General Wesley Clark, the Supreme Allied Commander of NATO during the 1999 War on Yugoslavia, confirmed[93] in an interview that the US had decided to work toward regime changes in seven countries, in order to

93 https://www.youtube.com/watch?v=nUCwCgthp_E.

secure US interest in the region before any new world power might arise:

> We're going to take out seven countries in five years, starting with Iraq, and then Syria, Lebanon, Libya, Somalia, Sudan and, finishing off, Iran [...] About ten days after 9/11, I went through the Pentagon and I saw Secretary Rumsfeld and Deputy Secretary Wolfowitz. I went downstairs just to say hello to some of the people on the Joint Staff who used to work for me, and one of the generals called me in. He said, 'Sir, you've got to come in and talk to me a second.' I said, 'Well, you're too busy.' He said, 'No, no.' He says, 'We've made the decision we're going to war with Iraq.' This was on or about the 20th of September. I said, 'We're going to war with Iraq? Why?' He said, 'I don't know.' He said, 'I guess they don't know what else to do.' So I said, 'Well, did they find some information connecting Saddam to al-Qaeda?' He said, 'No, no.' He says, 'There's nothing new that way. They just made the decision to go to war with Iraq.' He said, 'I guess it's like we don't know what to do about terrorists, but we've got a good military and we can take down governments.' And he said, 'I guess if the only tool you have is a hammer, every problem has to look like a nail.' So I came back to see him a few weeks later, and by that time we were bombing in Afghanistan. I said, 'Are we still going to war with Iraq?' And he said, 'Oh, it's worse than that.' He reached over on his desk. He picked up a piece of paper. And he said, 'I just got this down from upstairs' – meaning the Secretary of Defense's office – 'today.' And he said, 'This is a memo that describes how we're going to take out seven countries in five years, starting with Iraq, and then Syria, Lebanon, Libya, Somalia, Sudan and, finishing off, Iran.' I said, 'Is it classified?' He said, 'Yes, sir.' I said, 'Well, don't show it to me.' And I saw him a year or so ago, and I said, 'You remember that?' He said, 'Sir, I didn't show you that memo! I didn't show it to you!'

In another video interview he provided even more details about the US plan to attack and remove governments in seven countries:[94]

> We learned in 1991 (Operation Desert Storm) that we can use our military without being challenged by the Russians [...]. We've got about five to ten years to clean up the old Soviet client regimes before another superpower comes along and challenges us.

He also claimed that the neo-conservatives like 'Cheney, Rumsfeld and Wolfowitz took control of the policy in the United States [...] This was a policy coup by the Project for a New American Century.'[95]

Unfortunately, the relationship between oil, money and power has been a neglected area of study. But one could say that without the on-going dollar hegemony, world supremacy of the US empire might not have been possible to maintain. A country, like the US, that owns the dominant reserve currency has almost limitless power to finance other countries. It gives the monetary hegemon 'exorbitant privilege,' as the French remarked in the 1960s. Because it can print the world currency the US can buy anything it wishes without having to worry about its liabilities.

While the Soviet Union collapsed because they had to import food with hard-earned dollars from their oil exports, in the 70s and 80s, the US could start the Korean War and the Vietnam War with freshly printed greenbacks. By 'obliging' foreign central banks to keep their monetary reserves in Treasury bonds, the

94 http://whowhatwhy.org/2013/08/31/classic-why-real-reason-for-syria-war-plans-from-gen-wesley-clark/.

95 https://en.wikipedia.org/wiki/Project_for_the_New_American_Century. The Project for the New American Century (PNAC) was a neo-conservative think tank focused on US foreign policy. Its goal was 'to promote American global leadership'. Of the 25 people who signed the PNAC's founding statement of principles, ten served in the administration of US President George W. Bush, including Dick Cheney, Donald Rumsfeld and Paul Wolfowitz.

US in fact forced them to finance US military spending abroad, as Michael Hudson explains in his wonderful book *The Super Imperialism*. In this new form of imperialism, the US is able to rule not through its position as world creditor, but as world debtor. America's weakness as a debtor country has indeed become the foundation of the world's monetary and financial system.

A Chinese market commentator once remarked: 'World trade is now a game in which the US produces dollars and the rest of the world produces things that dollars can buy [...] a dollar hegemony that forces the world to export not only goods but also dollar earnings from trade to the US [...] Everyone accepts dollars because dollars can buy oil.' Only when dollar-holding nations decide to buy natural resources instead of US treasuries, is the dollar's reserve currency status in danger. This is exactly the exit strategy China and Russia seem to be playing right now. In recent years, the Russians have sold most of their dollar holdings, while they tripled their gold position.[96] The Chinese have stopped buying extra US Treasuries since 2010 while they have imported and invested in huge amounts of gold and other hard assets.

Another Chinese observer stated: 'The military power more and more plays a role of the guardian of the money (power). If any potential factor poses a threat to the operation of the dollar hegemony mechanism, the gigantic military machine might start, thus shifting the American hegemony from the 'benign hegemony' into a 'dangerous hegemony'.'

Some have even said that the US (the West) has now entered an era of 'fictitious capitalism', in which the inflow of capital is of vital importance for it to maintain its global primacy.

96 https://www.caseyresearch.com/articles/is-putin-quietly-dumping-russias-us-treasuries.

41. What is the role of the IMF and World Bank in this dollar system?

The delegates of the Bretton Woods Conference also agreed to establish the International Monetary Fund (IMF), which would safeguard the world's financial system, and the International Bank for Reconstruction and Development (IBRD), which would act as a world investment bank. Both entities were pitched as bodies that would serve the interests of the world but were de facto controlled by the US When the neo-conservative Paul Wolfowitz was sworn in as President of the World Bank in 2006, it became quite obvious to many that fighting poverty in the world was not the World Bank's priority for the Americans.

John Perkins, chief economist for the Boston strategic consulting firm Chas. T. Main in the 1970s, wrote a book about his experiences advising Third World countries. He explains how the IMF and World Bank collaborated in the process of economic colonization of Third World countries on behalf of what he portrays as a 'cabal of corporations, banks, and the United States government'.[97] According to him, 'Third World countries were trapped into international debts they could not repay in order to get their resources handed over to US corporations, during an international financial IMF-led rescue operation.' The company Perkins worked for was a worldwide player in the utility industries at that time.

According to Perkins, the IMF and World Bank play a major role in supporting the dollar as a world reserve currency. During the Bretton Woods negotiations, the US also insisted that countries could only join the IMF after decoupling their currency from gold.[98] Once decoupled, the central banks, with some help by the Federal Reserve, were able to dump their enormous gold reserves.

97 http://www.amazon.com/John-Perkins/e/B000APETSY

98 Articles of Agreement, Article IV, Section 2(b): 'a member may not determine the value of its currency in terms of gold'.(https://www.imf.org/external/np/leg/sem/2004/cdmfl/eng/gianvi.pdf).

42. How transparent is the Fed?

According to the former Republican Congressman Ron Paul, the Federal Reserve is the chief culprit behind the current economic crisis. Because of its 'unchecked power to create endless amounts of money out of thin air', the Fed has caused one financial bubble after another. Paul also claims that by 'recklessly inflating the money supply, the Fed continues to distort interest rates and intentionally erodes the value of the dollar'. He calculates that the dollar has lost 'more than 96% of its value since the Fed's creation in 1913'. He also criticizes the strong culture of secrecy within the Fed organization.

The Fed's secrecy forced press agency Bloomberg to resort to the courts in order to obtain information about the Fed's rescue operation after the collapse of Lehman Brothers in the fall of 2008. On 5 December 2008, US banks had secretly received $ 1,200 billion in aid from the Fed,[99] while a full audit of the Federal Reserve later revealed that over $ 16 trillion[100] had been allocated to corporations and banks internationally, purportedly for 'financial assistance' during and after the 2008 financial crisis.

Since the 1990s, Ron Paul has been trying to force the secretive bank to become more transparent.[101] In 2010, Paul succeeded in including an amendment to a new Financial Reform Bill requiring that the Fed be audited. After reviewing the results of the audit in 2012, Senator Bernie Sanders remarked, 'The Federal Reserve must be reformed to serve the needs of working families, not just CEOs on Wall Street.'[102]

99 http://www.bloomberg.com/news/2011-11-28/secret-fed-loans-undisclosed-to-congress-gave-banks-13-billion-in-income.html

100 To give an indication of the enormity of this amount, $ 16 trillion ($ 16,000 billion) is the same amount as the total external debt of the US in 2012.

101 http://www.ronpaul.com/misc/congress/legislation/111th-congress-200910/audit-the-federal-reserve-hr-1207/

102 http://www.bloomberg.com/news/2011-11-28/secret-fed-loans-undisclosed-to-congress-gave-banks-13-billion-in-income.html

43. Have any Wall Street bankers gone to jail?

Bill Black is an associate professor of economics and law at the University of Missouri, Kansas City and author of *The Best Way to Rob a Bank is to Own One.* He is specialized in white-collar crime investigations and prosecutions.

Black claims that 'the US administration refuses to investigate and prosecute the elite bank fraudsters'. According to Black, 500 FBI agents working on white-collar crime cases were transferred to national security tasks immediately after the 9/11 terrorist attacks.[103]

The Department of Justice started a few dozen criminal investigations against Wall Street Bankers since 2000. But the only bankers sent to jail were those that had a conflict with one of the Wall Street banks or were punished for insider trading on their own account. Most of those cases were private frauds. In all other cases, a financial settlement was proposed to bankers and almost always accepted. The only exception my research showed was a criminal case against two ex-Merrill Lynch bankers who were convicted in a scheme involving a sham sale of Enron barges.[104]

US Attorney General Eric Holder, involved in many Wall Street criminal investigations, has suggested that pressure from the highest echelons was used to stop the prosecution of high-level bankers:[105]

103 http://neweconomicperspectives.org/2013/08/mueller-i-crippled-fbi-effort-v-white-collar-crime-my-successor-will-make-it-worse.html

104 James A. Brown, former head of the bank's asset lease and finance group who was convicted of lying and obstructing justice along with conspiracy and fraud in the barge deal, was sentenced to three years and 10 months in prison. He also had to undergo one more year under court supervision and pay $ 840,000 in fines. Daniel Bayly, the former global head of the investment banking division at Merrill Lynch, was sentenced to two years and six months in prison, a six-month supervised period and similar fines of $ 840,000. http://www.chron.com/business/enron/article/Former-Merrill-Lynch-executives-get-less-prison-1948896.php

105 http://www.washingtonpost.com/blogs/wonkblog/wp/2013/09/12/this-is-a-complete-list-of-wall-street-ceos-prosecuted-for-their-role-in-the-financial-crisis/

> I am concerned that the size of some of these institutions becomes so large that it does become difficult for us to prosecute them when we are hit with indications that if you do prosecute, if you do bring a criminal charge, it will have a negative impact on the national economy, perhaps even the world economy.

No Wall Street CEO even came close to facing criminal charges. Angelo Mozilo, chief executive of Countrywide, was charged by the SEC with insider trading and securities fraud in 2009 for selling shares of his company while publicly proclaiming it was in good shape. But he was allowed to settle these civil charges with $ 67.5 million in fines and a lifetime ban from serving as an officer of a public company. The criminal investigation was dropped.

So Wall Street bankers have agreed to pay fines. Many fines. This is quite smart, because it is not the bankers themselves but their shareholders that will have to pay these bills.

On the next page you can find the results of my research (see Appendix II) on this subject. A study of hundreds of media reports shows that the total amount of fines and settlements paid by Wall Street banks between 2000 and 2014 to avoid prosecution, adds up to $ 135 billion.

As a result, the earnings of many Wall Street banks have evaporated. Because of the high legal costs between 2011 and 2014, Bank of America spent $128,104.57 per person 'to keep its 229,500 employees out of prison.'[106]

106 http://www.zerohedge.com/news/2014-11-06/bank-america-finds-it-did-some-more-crime-q3-revises-previously-released-earnings-lo.

Total amount of fines and settlements paid by Wall Street banks (in billion dollars)

Amount of Fines (in USD millions)							
	BoA	**Citi**	**JPM**	**GS**	**WF**	**Other**	**Total**
2000	0	0	0	0	0	0	0
2001	58	0	1	1	0	0	60
2002	490	620	205	112	42	0	1.469
2003	0	134	179	10	0	0	322
2004	1.129	2.728	0	53	7	111	4.027
2005	462	2.081	4.672	40	37	0	7.293
2006	8	3	427	0	13	243	693
2007	30	15	1	3	7	0	55
2008	0	1.811	25	34	0	0	1.870
2009	33	4	76	65	42	686	906
2010	995	77	49	578	463	175	2.336
2011	9.265	286	453	20	1.389	0	11.413
2012	2.972	793	806	107	342	25.000	30.021
2013	15.374	3.016	17.751	330	3.716	0	40.183
2014	22.027	8.211	3.498	120	63	0	33.919
Total	52.841	19.776	28.142	1.471	6.120	26.215	134.566
						Average fine:	**603**

BoA Bank of America
Citi Citigroup
JPM JPMorgan Chase
GS Goldman Sachs
WF Wells Fargo