



## **The Fourth Branch of Government of the United States of America**

**A Monday Morning Musing from Mickey the Mercenary Geologist**

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The Constitution of the United States of America is a seminal document devised by the founding fathers and written largely by James Madison. It was signed by 39 of the original 55 convention delegates on September 17, 1787. The Constitution is very much a product of compromise and is short, comprising only seven articles, four pages, and 4501 words.

The Constitution was ultimately approved by 11 of the 13 States in 1789 contingent upon inclusion of an important addendum, the 10 amendments of the Bill of Rights that protect the basic rights of free American citizens.

The Constitution was unique at the time in providing for three equally independent branches of government: the executive, the legislative, and the judicial. A scheme of checks and balances prevents any one branch from exercising ruling control over citizens thru the machinations of unconstrained government and politics.

After defeat of the British in 1783 and founding of the early republic, the incipient US of A struggled financially under the Articles of Confederation and then the Constitution. The payment of foreign debt incurred from the war for independence required taxation and that came mainly from export tariffs. The financial difficulties were exacerbated by states' rights versus federal rights issues with respect to banking and fiat paper currencies.

The idea of a federally-controlled central bank fundamentally split the founding fathers from the beginning and their vehement disagreements resulted in the early establishment of two diametrically-opposed political parties.

On one hand were the largely urban Federalists represented by John Adams, Alexander Hamilton, Jon Jay, and Robert Morris. They favored establishment of a central bank similar to the Bank of England with its policy of a national debt, the issuance of bank notes to cover that debt, and as the lender of last resort during financial crises.

On the other were the mostly agrarian Democrat-Republicans led by Aaron Burr, Thomas Jefferson, John Madison, and John Monroe. They strongly opposed the concept of a central bank and viewed it as a financial scheme for speculation, manipulation, and corruption by elite moneyed interests.

The dirty politics and yellow journalism emanating from this issue became so vitriolic that it led to the infamous duel in 1804 that left Hamilton dead and destroyed Burr's political career.

Let's review the checkered 229-year history of central banking in the United States:

The Congress mandated two central banks from 1791-1811 and 1816-1836 that failed to harness periodic panics and bouts of rampant inflation. When the First Bank's 20-year charter expired, Congress did not renew it and there was a five-year period during Madison's presidency when the nation struggled mightily with debt and inflation from the War of 1812. This led to the establishment of the Second Bank of the United States.

President Andrew Jackson destroyed the second version by refusing to renew its charter in 1836 and his inaction soon led to runaway inflation. He then required all Federal land payments to be made in gold or silver coins (specie), which resulted in the Panic of 1837 and a four-year depression.

A "free banking era" existed from 1837-1862 when there was no central bank and state charter banks could issue bank notes against specie. Some private banks provided functions normally associated with a central bank such as providing deposit insurance and acting as clearing houses for bank notes. Rapid changes in money supply and unstable bank note prices occurred during this period. The average lifespan of a bank was five years, half failed, and another third could not redeem their notes.

From 1863-1913 the country had a system of national banks that were first created to fund the Union's Civil War effort. They were overseen by an executive branch comptroller with regulations guiding reserve requirements and banking practices, a uniform national currency, and backing of bank notes by US Treasury securities. A series of financial panics, bank runs, and short depressions resulted when bond values fluctuated wildly or liquidity dried up.

That said, the Republic survived and largely prospered for 122 years despite these serial collapses and without significant inflation except in times of war.

Then in 1913, the United States Congress approved creation of a third central bank called the Federal Reserve. The impetuses for its creation were the financial panics and crises in the late 1800s and finally, the Panic of 1907. This latter economic collapse was caused by a Montana copper magnate and New York bankers whose failed attempt to corner the copper market via a manipulated short squeeze backfired.

Monetary intervention by financier J.P. Morgan, who pledged large sums of his own reserves and convinced other New York bankers to do the same, is credited with mitigating the severity of Wall Street failures, bank runs, and bankruptcies in 1907.

In 1908, John D. Rockefeller's father-in-law, Senator Nelson Aldrich, chaired a commission to study the previous year's financial crisis and propose solutions to avoid future ones. In 1910, Aldrich, the Assistant Secretary of the Treasury, three financiers representing J.P. Morgan's interests, and two other New York bankers met secretly at the Jekyll Island Club in Georgia and designed plans for another central bank.

Their report was delivered to Congress in 1911 and was followed by two years of contentious debate. The Federal Reserve Act eventually passed and the United States' version of a central bank was signed into law by President Woodrow Wilson on December 23, 1913. It gave the Federal Reserve System sole authority to set monetary policy in the United States.

And with Wilson's stroke of the pen, We the People of the United States were immediately burdened with a fourth branch of government.

As designed, the Federal Reserve is subject to oversight by the Congress (legislative branch) and its seven-member Board of Governors is selected by the President (executive branch) and confirmed by the Senate (legislative). However, according to the Federal Reserve itself:

- The system: "*is considered an independent central bank because its monetary policy decisions do not have to be approved by the President or anyone else in the executive or legislative branches of government, it does not receive funding appropriated by the Congress, and the terms of the members of the Board of Governors span multiple presidential and congressional terms.*"
- It differs from other central banks because it is a hybrid public-private entity.
- It is unique in that its fiat currency is created by an entity of the executive branch, the Department of the Treasury.

The Congressional Act initially established three mandates for regulating monetary policy: maximizing employment, stabilizing prices, and moderating long-term interest rates. However, the Fed's duties have expanded dramatically over the past 106 years. They now include supervising and regulating private banks, foreign activities of domestic banks, and activities of foreign banks in the US, providing financial services to depository institutions and the U.S. government, and conducting and publishing economic research.

Unfortunately, the big money men and women who control and operate the United States Federal Reserve System are not governed by any of the checks and balances inherent in our precious Constitution.

Quite frankly, the Fed's purpose is and has always been to protect New York bankers and Wall Street speculators from financial panics, depressions, and recessions.

So in reality, this group of elitists answers to no one.

And based on recent performance, the cabal can't even set a stable interest rate policy from one quarter to the next or agree amongst themselves on the monthly missives that emanate from its Federal Open Market Committee.

The act that established the US Federal Reserve has fundamentally affected our past, present, and future financial fortunes.

- It soon begot an arguably unconstitutional income tax and established its corrupt administrator, the Internal Revenue Service.
- Its policies directly caused and lengthened the unprecedented Great Depression.
- It enabled creation of a social welfare state including Roosevelt's New Deal, Johnson's Great Society, and Obamacare.
- It saddled our economy with a steadily devaluing fiat currency via designed inflation "targets".

- Its power has grown steadily and it now influences every aspect of the global economy.

White House Economic Advisor Larry Kudlow said it best a couple of months ago: *“I don’t want to get into a lot of Fed bashing. Their models are highly flawed. The Deep State ... staff, of course, has not been very helpful — oops, did I say that?”*

Well, yes he did. And despite the flak that rained down from mainstream business TV including Bloomberg, CNBC, Fox Business, PBS, et al., I could not agree more:

The Fed is the Deep State.

It is run by appointed bankers. It performs functions with career civil service bureaucrats. It is unchecked and unregulated by any branch of the government. It has never been audited in a comprehensive manner over its entire 106-year history. It services the largest financial interests in our country. It is the rogue Fourth Branch of the US government.

In retrospect, Thomas Jefferson and his fellow Democratic-Republicans of the early 19<sup>th</sup> Century were right.

Fed policies over the last century have created a trifurcated society consisting of a small minority of elite moneyed insiders, a shrinking middle class, and a growing lower class that largely *chooses* not to work and therefore, lives “poor” via social entitlements and subsidies funded by a consortium of federal, state, and local governments.

And now we are faced with a rapidly increasing fringe culture that is urban, homeless, criminal, drug-addled, and/or mentally ill ... and collectively has no hope.

The American Dream, as proclaimed by our founding fathers in the preamble to the Declaration of Independence: *“all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness”*, is slowly wasting away.

I submit that the United States Federal Reserve is largely to blame. Its constant debasing of a fiat currency backed by nothing but a bankrupt government’s promise to pay has spawned an out-of-control debt load that cannot be serviced and will only end when the government defaults for the third time in a century.

In the following 62 words, I present an A to Z essay on the Federal Reserve Banking System of the United States of America:

*An Armageddon spawned by **Banksters’ Consummate Dream to Eviscerate the Financial Gain of common people with Hubris and InJustice, Kill via Leverage the Middle-class to no Net, Obfuscate Principal Quickly by wRecking our economic System thru Taxation and Usury, Violating its Wealth and eXacting a demise that began in Year 1913 and will end when our fiat assets total less than Zero.***

When all is said and done, smart money will still hold the trump card:

In Gold We Trust.

Ciao for now,

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Mickey worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for over 20 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey’s professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

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