# The Federal Reserve's Centennial Birthday – The 100 Years' War Against Gold and Economic Common Sense

## An Executive Summary

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Executive Summary of 45-Minute Presentation given by Nick Barisheff of Bullion Management Group Inc. (BMG) at The Toronto Austrian Scholars Conference on November 2, 2013.

Some of the areas covered in the speech:

### Federal Reserve History and Its War on Gold

On December 23, 2013, the U.S. Federal Reserve (the Fed) will celebrate its 100th birthday. This speech takes a look at the Fed's real accomplishment, and the practices and policies it has employed during this time to rob the public of its wealth.

The criticism is directed not only at the world's most powerful central bank—the Fed— but also at the concept of central banks in general, because they are the antithesis of fiscal responsibility and financial constraint as represented by gold and a gold standard.

BMG sells only titled, uncompromised precious metals, and has been fighting the gold-negative propaganda perpetuated by the formidable Western government/banking alliance since BMG's inception in 2002. At the heart of this conflict with gold and fiscal responsibility are deceptive central banking practices, fractional reserve banking and an unbacked fiat currency system that, for the first time in history, is global.

The Fed is, unlike any other federal agency, owned by private and public shareholders—mainly large banks and influential banking families. It operates with as much opacity as possible, and only in the past two decades has the public become aware of this deception, thanks in large part to former Congressman Dr. Ron Paul, and the advent of the Internet.

The build-up of massive amounts of debt will result in the end of the U.S. dollar as the world's de facto reserve currency. This should come as no surprise: Previous world reserve currencies, starting with Portuguese real in 1450 and continuing through five reserve currencies to the British pound, which capitulated its position in 1920, have had a lifespan of between eighty and 110 years. The U.S. dollar succeeded the British pound, but its peg to gold was broken domestically in 1933, and internationally in 1971, when President Nixon closed the gold window. This resulted in unrestricted and exponential debt creation that will likely see the U.S. dollar's reserve currency status end sooner rather than later.

The Fed was born in the golden age of industrialism, when fortunes could be made with no income tax consequences. The industrialists had used their economic power and influence in the late 19th century to pass legislation like the Interstate Commerce Act of 1887, which eliminated competition from smaller railroads. They sought the same advantage in banking. The Morgan's, Rockefeller's and Rothschild's were the driving force behind the Federal Reserve Act of 1913, legislation that would see the introduction of a privately owned central bank that would provide the industrialists with unlimited cheap liquidity, and would eventually fulfill the bankers' 200-year-old dream of privatizing profits and socializing losses.

The Fed was sold to the public in much the same way as the Patriot Act was sold after 9/11—as a sacrifice of personal freedom for the promise of greater government protection.

Instead of providing protection, the Fed has robbed the public through the hidden tax of inflation brought about by currency devaluation.

## Why the Fed Hates Gold

The Fed has many reasons for being at war with gold:

1. Gold restricts a country's ability to create unlimited amounts of fiat currency.
2. The gold held by the Fed and the United States has not been officially audited since 1953; there are several credible indications that this gold has been leased or swapped, and probably has several claims of ownership. Germany's Bundesbank was told in January 2013 that it would have to wait seven years to repatriate 300 tonnes of its gold currently held by the Federal Reserve Bank of New York. The only plausible explanation for this delay is that the gold is not available.
3. Gold is the only money that exists outside the control of politicians and bankers. The Fed would like to control all aspects of the global economy, and gold is the last defense of the individual who wishes to protect his or her wealth.
4. Historically, gold serves as the most stable measure of purchasing power. Gold owners begin to measure risk in terms of ounces of gold, and this provides a broader perspective — the "gold perspective." It takes into account factors that are considered unquantifiable through the narrower "fiat perspective" that banks and financial media prefer to use. It also shows up real inflation.

## Two Policies the Fed Uses to Rob Savers and Taxpayers

Under the gold standard, governments are more transparent in raising funds through direct taxation. Under a fiat system and a central bank, they have to be much more secretive. There are two policies or practices currently being used to transfer wealth from the public to the government. These are:

1. Financial Repression

Financial repression is a hidden form of wealth confiscation that employs three tactics:

(i) indirect taxation through inflation;
(ii) the involuntary assumption of government debt by the taxpayer (like

the Fed's purchase of Fannie Mae and Freddie Mac CDOs);

(iii) debasement or inflation brought about through unbridled currency creation and capital controls; and

2. Government's Position on Bail-ins and the Illusion of FDIC Insurance

Many believe their bank deposits are insured against bank failure, as this is the Fed's main argument for its existence. This is far from the truth, since the FDIC could only cover .008 percent of the banks' derivative losses in the event of major bank failures. Banks legally see depositors as "unsecured creditors," as proven by the Cyprus bail-in.

## The Fed's Real Accomplishment

When measured against gold, the U.S. dollar has lost 96 percent of its purchasing power since the Fed's inception in 1913. This is mainly through currency debasement, which leads to inflation. Real inflation, if measured using the original basket of goods used until the Boskin Commission in 1995 changed the rules, is running about 6 percent higher than is officially acknowledged, according to John Williams of ShadowStats.com. The CPI used to measure a "fixed standard of living" with a fixed basket of goods. *Today, it measures the cost of living with a constantly changing basket of goods, measured with metrics that are themselves constantly changing.*

History shows countries following the gold standard have a higher standard of living, stronger morals, and an aversion to costly wars. Thanks to the Fed's irresponsibility, foreign governments and investors are exiting the dollar and U.S. Treasuries, leaving the Fed as the buyer of last resort. This has painted the Fed into a corner, because it will be difficult, if not impossible, to curtail its bond and CDO purchases through its QE program, or to raise interest rates without crashing the markets.

When economists and historians can objectively look back at this past century, they will likely find the Fed, as well as the world's other central banks, indirectly or directly responsible for:

- Personal income tax (introduced the same year as the Federal Reserve Act)
- Two world wars
- Several smaller unproductive wars
- The expropriation of U.S. gold in 1934
- The Great Depression
- Loss of morality in money and government
- Expansion of government to unprecedented levels
- The many economic bubbles that left countless investors ruined
- The decimation of the U.S. dollar's purchasing power
- The spread of moral hazard throughout the global financial community
- Destruction of the middle class
- Migration of gold from West to East

## What Fed Policy Will Mean for Gold

My book, *$10,000 Gold—Why Gold's Inevitable Rise Is the Investor's Safe Haven*, was published in 2013. The book shows the direct correlation between debt and the rising price of gold. It traces the major long-term, irreversible and exponential trends that are leading directly to increased government and personal debt. The aging and growing population, outsourcing, competition for natural resources and, most important, the movement away from the U.S. dollar, are some of the major trends. As the population around the world ages and becomes less productive, greater dependency on government increases, along with greater debt.

Investors should note the striking similarities between the 1974-1976 performance of gold and the 2011-2013 performance. If the pattern continues and gold rises from its 2013 low by the same percentage as it rose from its 1976 low to its 1980 high, gold will hit $10,000 an ounce.

Gold is migrating to the East. China has a stated target of 10,000 tonnes of gold, and Fed policies of gold price manipulation and artificially low interest rates will make this goal attainable in the coming years. This is why many feel China will hold the world's next reserve currency.

## Only the Sovereign Individual Can Fight Fed Policy

A major theme of my book is that only self-education, independent "expanded" thinking, and owning titled gold held in allocated storage will allow individuals to protect their wealth in the current environment.

[Click here for full presentation.]

***Nick Barisheff*** *is the founder, president and CEO of Bullion Management Group Inc., a company dedicated to providing investors with a secure, cost-effective, transparent way to purchase and hold physical bullion. BMG is an Associate Member of the London Bullion Market Association (LBMA).*

*Widely recognized as international bullion expert, Nick has written numerous articles on bullion and current market trends that have been published on various news and business websites. Nick has appeared on BNN, CBC, CNBC and Sun Media, and has been interviewed for countless articles by leading business publications across North America, Europe and Asia. His first book, $10,000 Gold: Why Gold's Inevitable Rise Is the Investor's Safe Haven, was published in the spring of 2013. Every investor who seeks the safety of sound money will benefit from Nick's insights into the portfolio-preserving power of gold.* *www.bmgbullion.com*