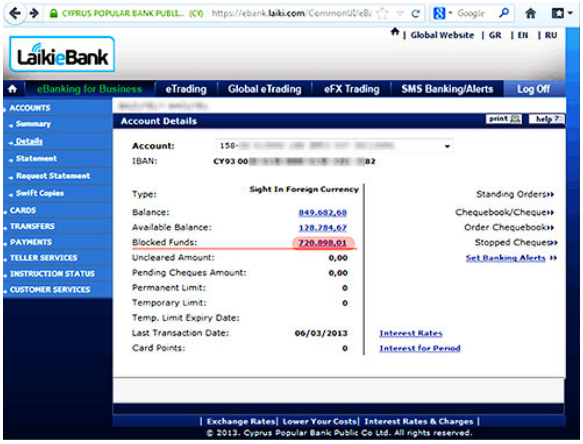
Turbo Charged Financial Repression

Foley vs. Hill

29/07/2013



(85% of client account 'Blocked')

Your bank account will be exhausted.

The engine of financial repression has just been turbo charged. A turbo, in case you aren't a 'car guy', increases an engine's horsepower by capitalizing on the exhaust gases that are normally wasted. The bail-outs left your bank account unused. The banks aren't going to waste this opportunity again.

Client account balances, known as 'demand deposits', are the fuel of banking. What most people think of as their account balance is actually something very, very different. Many people mistakenly believe that their monthly account balance statement shows how much they own. In fact, they are a statement of what the bank owes.

I believe, the legal precedent, that established the foundation for modern commercial banking, was determined in a UK Supreme Court, (Foley vs. Hill, 1848).

loans. Your cash forms the foundation for a banking system that loans out, (hypothecates), your balance with the promise that they will keep some of it on hand and return all of it if you ask. This is called fractional reserve lending and it is what all banks do.

In very clear terms, when you deposit funds in a bank account, those funds are no longer yours. You become an unsecured creditor, or lender, to the bank. Banks pay you interest for allowing them to put your wealth at risk.

This works well when people have faith that the bank will give them back their money. When things aren't going well, and the bank has taken too many risks with their client accounts, people start demanding their balances back because they aren't willing to accept the risks. This is called a 'bank-run'

In his Judgment the Lord Chancellor Cottenham said...

" Money, when paid into a bank, ceases altogether to be the money of the principal; it is by then the money of the banker, who is bound to return an equivalent by paying a similar sum to that deposited with him when he is asked for it. The money paid into a banker's is money known by the principal to be placed there for the purpose of being under the control of the banker; it is then the banker's money; he is known to deal with it as his own; he makes what profit of it he can, which profit he retains to himself, paying back only the principal, according to the custom of bankers in some places, or the principal and a small rate of interest, according to the custom of bankers in other places. The money placed in custody of a banker is, to all intents and purposes, the money of the banker, to do with it as he pleases; he is guilty of no breach of trust in employing it; he is not answerable to the principal if he puts it into jeopardy, if he engages in a hazardous speculation; he is not bound to keep it or deal with it as the property of his principal; but he is, of course, answerable for the amount, because he has contracted, having received that money, to repay to the principal, when demanded, a sum equivalent to that paid into his hands.

That has been the subject of discussion in various cases, and that has been established to be the relative situation of banker and customer. That being established to be the relative situations of banker and customer, the banker is not an agent or factor, but he is a debtor. "

This knowledge leads to examining wealth in a totally new way. Knowing this will help you understand that bank deposits are actually

when it happens in volume. It is what banks fear most. Right now, if there were a bank run, less than 7% would get their deposits.

With no depositors there can be no lending and the bank goes bankrupt. Today's interest rates do not adequately compensate you for the unseen risk.

A 'bank holiday' is when a bank literally closes its doors and blocks account holders from withdrawing their funds. This loss of faith happens quickly, as it did in Cyprus, when it became clear that the banks had failed the depositors.

Why did the account holders wish to withdraw their funds? They wanted to get their money out before the banks acted on their announcement to take a percentage of their client's accounts. They did this because they did not have enough reserves to cover their promises. They knew that no one was going to bail them out. Instead, they opted to 'bail-in'. The bank argued that it was either lose part of your account now or all of it later.

The ATMs in Cyprus were emptied of cash within hours of the announcement. Two weeks later the banks reopened and strict controls were placed on what remained in the accounts. Large withdrawals, transfers and other similar activities are now strictly controlled. Up to 85% of account balances were converted into bank shares that are irredeemable for 5 years. Cypriots, understandably, are very angry and confused.

We must understand that funds in a bank account can be taken. The deposit insurance companies, that are there to protect client accounts, are also on a fractional reserve system. They, too, are susceptible to 'bank-runs'. If too many client accounts need to be covered then they will close their doors. If a bank-run leads to an insurance company failure then no one gets their money.

This strategy, (the banks protecting themselves by taking from client accounts), while shocking to fully grasp, is entirely legal. Some might even say it is lawful because the client account holders can only profess ignorance. As we all know, "Ignorance is no excuse from the law". Knowingly, or unknowingly, account holders are really investors and not savers.

The event in Cyprus will not be an isolated event. We know this because the outline for it happening elsewhere has been clearly outlined. In Canada, the Finance Minister's wording is very clear that the government will not commit future tax revenues to support irresponsible banks that need money today.

He will not allow a bail-out. Banks will be forced to 'bail-in'.

This means that all bank issued debt instruments can be used to save the banks. Demand deposits, guaranteed investment certificates and shares in the bank are all debt instruments created by the banks, owned by the banks and, as ownership is 9/10ths of the law, they can do whatever they feel is necessary with these funds.

The events in Cyprus were just a beta-test. This is a global plan. Canada has shown its hand. The UK has shown its hand as bail-ins have already begun there. The US has structured the Federal Deposit Insurance Corporation to avoid being hurt when its banks 'bail-in'.

You, technically, don't even own the cash in your wallet. Cash is just colourful paper that central planners dictate its value. Most people, throughout history, have not accepted

this reality until it is far too late. The examples are too numerous to list.

The only reason that cash maintains any value is because people think it does. What happens when people no longer trust it? The only way to be sure that you have safely stored the value of your labour is by transferring it into something durable with intrinsic value that has no claim against it. Fiat currencies were never intended to be a store of value. Cash is the medium of exchange only. It is not durable, has no intrinsic value, and has multiple counterparty claims.

This is why you must have real assets. When you can demonstrate clear evidence and title, to a real and tangible asset, then you can feel confident that no one can take it without fair compensation.

Governments can, and have, taken citizen's assets. However, they cannot do it without offering something else in a fair exchange, ('fair market value'). This is called expropriation. Land owners are often forced to take a fair-market offer in exchange for land that is to be used for things like railways, roads, and infrastructure.

Under Roosevelt's Executive Order, in 1933, to expropriate the citizen's gold, he had to pay fair market value for it, (which was $20/ozt). The following year he revalued the currency down by changing its relationship to gold by 70% and made gold $35/ozt. In doing this, he recapitalized the banking system. This time, however, there isn't enough gold, (at current prices), to do this. Hence, the 'bail-ins'.

This time the banks don't need to pay anyone 'fair-market value'. The value has already been established by their insolvency. Banks don't list your account as an asset. They refer to your balance statement as a liability.

That should tell you everything.

Financial Repression, Reinhart & Rogoff, http://www.imf.org/external/np/seminars/eng/2011/res2/pdf/crbs.pdf

http://lawschoolguide.blogspot.ca/
Carr v. Carr (1811), 1 Mer. 541, n.; 3.5 E.R. 799; 44 Digest 728, *5813*
Devaynes v. Noble, Sleech's Case (1816), 1 Mer. 529, 539; 35 E.R. 767, 771; 3 Digest (Repl.) 340, 1101.
Sims v. Bond (1833), 5 B. & Ad. 389; 2 Nev. & M.K.B. 608; 110 E.R. 834; 3 Digest (Repl.) 178, 299.
Pott v. Clegg (1847) 16 M. & W. 321; 16 L.J.Ex. 210; 8 L.T.O.S. 493; 11 Jur. 289: 153 E.R. 1212; 3 Digest (Repl.) 178, 294.
Marzetti v. Williams (1830) 1 B. & Ad. 415; 1 Tyr. 77, n.; 9 L.J.0.S.K.B. 42; 109 E.R. 842: 3 Digest (Repl.) 237, 613.

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