

WRIGHT PATMAN, TEL. CHAIRMAN *
 WILLIAM A. BARRETT, PA.
 LEONOR K. (MRS. JOHN S.) SULLIVAN, MO.
 HENRY S. REUSS, WIS.
 THOMAS L. ASHLEY, OHIO
 WILLIAM S. MOORHEAD, PA.
 ROBERT G. STEPHENS, JR., GA.
 ERNAND J. ST. GERMAIN, R.I.
 JIMMY E. GONZALEZ, TEX.
 JOSEPH G. MINISH, N.J.
 RICHARD T. MANNA, CALIF.
 TOM S. GETTYS, S.C.
 FRANK ANNUNZIO, ILL.
 THOMAS M. REES, CALIF.
 CHARLES H. GRIFFIN, MISS.
 JAMES M. HANLEY, N.Y.
 FRANK J. BRASCO, N.Y.
 BILL CHAPPELL, JR., FLA.
 EDWARD I. KOCH, N.Y.
 WILLIAM R. COTLER, CONN.
 PARRIS J. MITCHELL, MD.
 WILLIAM F. CURLIN, JR., KY.

DEFICIT FINANCING SCHEME

"A LICENSE TO STEAL"

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON BANKING AND CURRENCY

NINETY-SECOND CONGRESS

2129 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, D.C. 20515

\$\$\$ "Caveat Emptor" \$\$\$

July 19, 1972

WILLIAM B. WIGNALL, N.J.
 FLORENCE P. OWYER, N.J.
 ALBERT W. JOHNSON, PA.
 J. WILLIAM STANTON, OHIO
 BENJAMIN S. BLACKBURN, GA.
 GARRY BROWN, MICH.
 LAWRENCE G. WILLIAMS, PA.
 CHALMERS F. WYLIE, OHIO
 MARGARET M. HECKLER, MASS.
 PHILIP M. CRANE, ILL.
 JOHN H. ROUSELOT, CALIF.
 STEWART B. MCJINNEY, CONN.
 NORMAN F. LINT, N.Y.
 BILL ARCHER, TEX.
 BILL FRENCEL, MINN.

PHIL HELSEN,
 CLERK AND STAFF DIRECTOR

725-242

4-8
 204

As of the above date Mr. Patman had been a Member of Congress for 41 years.

\$ CREATED OUT OF NOTHING THEN BORROWED!

Mr. J. Gordon Lott
~~2378 Coolidge~~
~~Royal Oak, Michigan 48072~~

344 E. Brockenridge
 Ferndale, MI. 48220-1322
 (313) 545-0929

Dear Mr. Lott:

Thank you for your letter of July 6 and for your interest in my views on the creation of money by the Federal Reserve banking system.

The section of the article you sent which outlines the method of money creation is essentially a correct description of the process in that Government securities serve as collateral for Federal Reserve notes and their purchase by the commercial banks from the Treasury and in the secondary market by the Federal Reserve are the means by which new money is created. The author of the article fails to distinguish between purchases of Government securities by the commercial banks and by the Federal Reserve banks. Commercial banks "purchase" these securities by crediting the Government's deposits in the banks. They do not use existing funds but create the funds. They then pay in to the Federal Reserve bank the reserves required against the deposit and lend the rest. As the Treasury withdraws the funds, they adjust their loans or sell securities or borrow against their securities as needed. Meanwhile, they collect interest on the Government security which they have "purchased", and on the loans which have been generated by the "creation" of the Government deposit, yet pay no interest to the Government for the use of its funds.

Note: In Banking terms this process is called, "A Created Deposit", or, "Deposit Lending".

The Federal Reserve banks are prohibited from purchasing Government securities directly from the Treasury although they may make short-term advances to the Government in very limited amounts. They purchase Government securities from some 20 dealers in the secondary market by giving a Federal Reserve check which is then

In ALL of the above transactions the ONLY INVESTMENT is that of PRINTING and BOOK-KEEPING COSTS!! This is the "SCAM" for the ENTIRE BUSINESS is NOTHING MORE than the "TRADING" of PIECES' of PAPER!! NOTHING ELSE CHANGES HANDS!! The RETURN of the "CONTINENTAL GREENBACK"!!

THE "CURRENCY CONSPIRACY", DEFICIT FINANCING BY CREATING "MONEY" OUT OF NOTHING

Mr. J. Gordon Lott

July 19, 1972

deposited by the dealer in his bank which must then increase the amount of reserves it holds with the Federal Reserve bank. The effect is to increase the reserves of the banking system as a whole and, thus, to generate a given volume of new loans.

* On the other subject about which you inquired, I must say that the Federal Reserve has been very effective in blocking my proposed audit of its operations. It has succeeded in convincing a majority of Members of Congress that such an audit would do great harm because the monetary system has to work in secrecy to work effectively. It is amazing how many people are willing to believe such nonsense.

Again, I thank you for your interest and hope the above discussion will be helpful to you.

Sincerely,

Wright Patman
Chairman

\$\$\$ "Government Securities" v "Individual Security" \$\$\$

These articles provide evidence of fact that political and banking interests are using the instruments of Government and Law to DEFEAT the INTENT of our fundamental laws of Federal and State Constitutions.

It is the effect of the issuance of "Money & Credit" out of nothing at the top of our economic system joined with confiscation by the appointed agents of the "Inquisitory Robbery Service" (I.R.S.), at the bottom that has made real the socio-economic system outlined in Orwell's "Animal Farm". The "WILL" of the "CENTRAL AUTHORITY" is now "SUPERIOR TO THE WILL OF THE PEOPLE"!

In between we have the "Pluralist Economy" which operates under separate sets of "rules", one for "Corporate Colonialism", those who "labor" for PROFITS, the other is "Selective Socialism", for those who "labor" for WAGES. The former investing "money", the latter INVESTING THEIR TIME OF LIFE!

"The Great American Antithesis"!

Sincerely,

Is the "4th Estate" now the "5th Column",
Cavalier Servente to SUBLIMINAL SEDITION?

IMPORTANT; SEE "MODERN MONEY MECHANICS", PAGE 4-14