The History of the GREENBACK DOLLAR

Money is not what you believe; although whatever one may think, the stuff we use works so well that life is miserable without it. Today's money is not money at all. It is a payments transfer system, known as checking. The presumption is that money is in the bank and is transferred to someone by means of writing a check. That is where the greenback comes in, for it is presumed to be the money one is transferring. The greenback today is the Federal Reserve Note, the paper we carry in a wallet and call "cash". Our story deals with the two kinds of money, the check that is not money and the greenback that is money. The Greenback got its name in President Lincoln's administration. It is a pejorative term in that it was scorned by banks, which paid only part value for it when presented by clients. History had been unkind to the paper money put out by the Continental Congress during the Revolution against England. To downgrade something, one might say, "not worth a Continental." The Continental Congress had no taxing authority; so, any paper money it issued could not command payment of a commodity without risk. History texts do not say that the true greenback was as good as gold, until banks persuaded the U.S. Senate to strip it of its legal tender feature. The Treasury authorized issue of $150 million of legal-tender notes on February 28, 1862 for payment of all debts public and private. The vote in Congress was 93 to 59. [Gertrude Coogan, "Money Creators", 1934] These greenbacks never lost their value against gold coin.

WAR BETWEEN THE STATES

Confronted with the expenses of war being waged by the northern Union, the Lincoln Administration sought loans from New York bankers. Because the bankers set an interest rate of **36%**, the Administration took the advice of Secretary of Treasury, Salmon P. Chase (namesake of the Chase Manhattan Bank), to issue **legal tender greenbacks**. This was the first time that "legal tender" had been considered. It was logical that a government capable of issuing bonds yielding interest could also issue money that did not yield interest. The New York banks would have established a checking account for the Treasury to draw on for paying soldiers and others for goods and services. For this service, the Treasury would have to pay 36% interest every year. In comparison, the southern states and counties fought the five-year (un)Civil War with scrip and **without incurring debt**. Northern bankers stormed the nation's capitol in protest on hearing of the plan to issue greenbacks as legal tender and not yielding interest.

EXCLUSION CLAUSE

For the second authorization of "legal tender notes", July 11, 1862, Congress reworded the legal tender feature with **"legal tender for all debts, public and private, except duties on imports and interest on the public debt, which from that time forward should be paid in coin."** A third issue of $150 million was authorized by the Act of March 3, 1863. Gertrude Coogan stated

in 1934 that $346 million of the United States Notes were on deposit with the Treasury. The Act of May 31, 1878 required that $322,539,016 remain outstanding. **In 1976 the Treasury Cash Room, which paid these notes to the public, was closed, ending the means of placing United States Notes into circulation** [Source- Federal Reserve Board]. In 1963, President Kennedy had tried to circumvent the private Federal Reserve banking cartel by issuing legal tender notes in $2 United States Notes denominations. Many speculate that this caused him his life as all the notes were recalled within days after his assassination. Many goods, such as cotton and sugar, formerly coming from the South, had to be imported during the war. An immediate benefit of the exclusion clause to the banks was a ready market for their gold, which importers had to buy, paying $285 for $100 of gold. The added cost forced up prices considerably, intensifying wartime inflation. In a pamphlet of 1877, Sarah Emery wrote, "The $285 in greenbacks, which the importer had to pay (the banker) for the $100 of gold, he immediately invests in government bonds at face value. His next step is to draw interest on his bonds, for the Act of February 25, 1862 stipulated that his interest should be paid in gold but in advance. Having drawn his gold interest in advance, he is prepared on the morrow to sell it to the next importer. On each exchange the banker clears $185 on $100 of gold." [*Seven Financial Conspiracies* by Sarah E. V. Emery (1877), 54 pgs., Monetary Science Pub., PO Box 86, Wickliffe, OH 44092].

TRANSACTIONS SERVICES

Prior to 1862 in England, the public money system was controlled by the Crown and was in the form of wooden slivers with identifying notches, called talleys. The talley was first issued in 1100 AD by King Henry I. They were no longer issued when King William gave a charter to the private "Bank of England" in 1694. The public clung to the tally, instead of subscribing to bank money. Parliament was persuaded by the banks to ban its use, ordering all talleys burned in 1826. While checks had been used in banking in various forms, such as letters, giving right of the bearer to a specific amount of money held by a goldsmith, banks ultimately arranged a uniform check for customer use. Merchants deposited coin with goldsmiths, but also used checks. Banks made loans to merchants by giving them the right to draw on the funds by writing checks. Those to whom checks were written could collect the funds from the bank. The tedious use of tallies had been replaced by the checking system of banks. Trade was improved. Today, checkable deposits make up 75% of the money supply, the new "greenbacks" (Federal Reserve Notes, which are really debt notes to the private Federal Reserve System), 25%. Wide usage of credit cards instead of greenbacks has increased the use of checking to settle accounts. ...**United States Notes**, formerly paid to the public by the Treasury Cash Room, until it was closed in 1976... **were indistinguishable from Federal Reserve Notes**, except by tedious hand counting, according to the Federal Reserve Board.

NATIONAL BANKING ACT OF 1863

Congress enacted the National Banking Act, February 25, 1863. It was another money-making scheme for banks in addition to the bonanza coming out of the emasculation of Lincoln's greenbacks by the exclusion clause. The Treasury gave banks greenbacks in exchange for temporary custody of bonds owned by the banks. The amount of greenbacks was 90% of the value of the bonds. The banks continued earning interest. Banks were to lend the bank notes to customers at interest. **They collected interest in gold coin on the bonds held by Treasury and the loans of bank notes**. The notes 'technically' remained in circulation until 1976, when they

were 'officially' discontinued by the Federal Reserve Bank because of problems differentiating them from the privately issued Federal Reserve Notes. Manual counting was considered too costly to continue. Federal Reserve Notes are counted with high-speed machinery.

ERA OF CONTRACTION

Blaming the inflation that followed the war on circulating greenbacks, the banks prompted legislation to systematically withdraw those notes from circulation. Scarcity of goods was undoubtedly the primary cause of inflation. Almost any amount of money in circulation might be "excessive." The relationship of money supply and scarcity of goods has been debated over and over again. Published data showed that money supply in 1865 per capita was $47.42: Currency $1,651,282,373 Population 34,819,581 In the yearly contraction down to 1877, per capita money supply had fallen to $14.60 Circulation was down to $606,000,000. Business failures increased each year, as well. There were more than 10,000 business failures in the first quarter of 1876 alone. Almost any amount of money may be in excess in wartime conditions of scarcity, when production is limited to supplying the army and navy. Banks used the argument in their desire to control the money supply, giving the impression that money supply had to be fine-tuned as in the 1970s. It remains a false argument.

THE DEVELOPMENT OF CHECKING

When customers deposit their pay checkbook dollars with banks, the banks automatically acquire book entry reserves, on which they create new deposits of checkbook money as loans. In earlier days banks loaned out money entrusted to them by townspeople. On recognizing that people were using written messages to others giving them the right to some of the money in the bank, banks developed this innovation by designing the check, which is now the principal form of money transfer. Banks then developed the idea of making loans to customers based entirely on checking -- **no lawfaul money being involved**. The presumption existed that **real money** was available whenever customers demanded it as payment for a check. The problem with this arrangement was the unwillingness of other banks to accept the checks. It became necessary for banks to organize into a system. One of the salient features of the National Bank Act of 1863 was the appointment of larger money-center banks to settle checking claims between banks. It was the failure of big banks to honor checks of smaller banks that caused money panics and *purportedly* led to the unlawful Federal Reserve Act of 1913. Too many banks had insufficient reserves, if any reserves at all, of real money to back up the checkbook loans they had made. The Federal Reserve Act designed a system of guaranteeing reserves for banks, as long as they had customer deposits. These deposits became the essential part of banking, as they generated **book entry reserves**, **on which banks could create new deposits**. Banks could make loans to customers without touching the deposits of customers. They created money as checkbook accounts.

1923 GERMAN INFLATION

Burdened with war reparations debt and having little resources to pay it, the German government permitted the banks to create deposits as debt. The added burden of debt to support the money system caused speculation and rising prices. In July 1923 there was no indication that the inflation would explode. By the end of the year the banking system collapsed. This episode in history has been regarded as another example of inflation caused by "fiat" money, despite the

fact that debt to carry the bank-money system was responsible. During World War Two, **Germany under Hitler did not borrow from banks**, **but issued its own currency with the result that the war was fought for seven years without the development of debt**. **The United States, after World War Two, assumed extraordinary debt to carry out the Marshall Plan**, which rebuilt those countries destroyed by the war. Today Germany is in a very favorable position, having minimal inflation and low interest rates. Before the Euro Dollar was introduced, the Deutchmark was steadily increasing in value against the U.S. dollar, mainly because the U.S. continues to add to its debt burden a monumental external debt by borrowing from banks to purchase cheaper foreign goods to keep a lid on inflation. The compounding of debt for payment of interest has begun to cause problems the current Federal Reserve System cannot manage. Escalating debt caused the suspicion two decades ago that the money system was out of control. Interest on the national debt is the fastest growing component of the federal budget. In 1987 the deficit was $148 billion, while the payment for interest on the debt was $195,390 billion.

A REASON FOR WARS AND DEFENSE PROGRAMS

The design of the money system mandates that **people, governments and institutions become debtors, while banks need not do so**. A common law maxim describing this is **"A debtor is always servant of the lender."** Huge defense programs legitimize heavy borrowing by government, which temporarily puts money into circulation only to be crossed out by banks in their ledgers, leaving an unpayable debt that compounds out of proportion during ensuing generations.

FINDING NEW DEBTORS

As one sector of debtors is intimidated by failing markets and bankruptcies, banks search for other sectors. The most recent sizable sector has been in home equity and the new kind of lending, the Home Equity Line of Credit. Banks have been waging an aggressive campaign with this product. The response has been excellent. What this will do to the residential real estate market can only be surmised, because, as thousands, or millions, of these debtors are unable to service their loans in coming cycles of recession, properties will be thrown on the market to enable debtors to pay the banks.

THE MAGIC OF COMPOUNDING

Banks advertise that one's account can grow to millions of dollars in 20 or 30 years, indicating their conviction that inflation is here to stay. Using the rule of 72 (below), one can estimate how long it takes for an investment, or a debt, to double, because of compounding. Compounding is detrimental, contrary to bank advertising, since it causes a steady rise of average interest rates and inflation that must be controlled by making money scarce and **bankrupting unsuspecting debtors**. Since 1980 the US has had the highest real rates of interest in its history.

RULE OF 72

The national government debt will double in 7.2 years with interest rates at 10%, regardless who is in control and even with a balanced budget. To determine how fast debt will double, divide the rate of interest into 72.

DUPLICITY OF RESORTING TO GOLD AS REFORM

Returning to gold as the monetary base usually convinces economists of being a "cure", **which does nothing to end bank creation of checkbook money and the inflation it brings**. A money system based on debt saps the earning power of the people with repeated cycles of boom and bust. A "natural" business cycle is pure humbug. Business is expanded and contracted by doing the same with the nation's money supply by banks. **All debt in the country is a product of the bank-money apparatus first initiated by Lincoln**. Debt exposes firms to bankruptcy when markets fail in the business cycle. Lenders gain access to the firms as concession to emergency loans. Concentration of wealth is hidden by networks of corporations. **Bilzberg and Olympia & York are frequently reported purchasing corporate assets. It is not mentioned that they are Rothschild subsidiaries**. Another is **Seagram of Canada**, owner of Seagram USA, **owner of 27% of DuPont, owner of Conoco** (oil). Because of the foreign trade policy of the administration in Washington, billions of dollars of new debt have been added each month, so that **by the year 2000 external debt is now projected to be over $3 trillion with interest of $250 billion or more annually**. Holders of government securities have first claim on our national resources. Loans of U.S. banks to Latin America were checkbook dollar deposits in domestic or foreign branches. Interest is paid annually in checkbook money. Now that these debtors are unable to service their debts, the banks have arranged a swap of debt for equities of nationally owned corporations. **Equities make private banks partners in state socialism**. **Checkbook dollars are created out of nothing**. Wars have been fought to protect the interests of huge money-center banks. Domestically, the sheriff is called to dispossess bankrupt debtors. **Banks do not lend greenbacks, although the checkbook deposits they create can purchase them**. This makes people think checkbook deposits are money in the finite sense.

DEBT CONSUMED CIVILIZATIONS

Although several factors contribute to the decline and fall of civilizations, the most important one is the accumulation of debt to maintain economic progress. The most recent catastrophe was the banking collapse in Germany after the first world war. The victorious allies had imposed burdensome reparations on the nation, prompting excessive bank lending and unpayable debt. During the last half of 1923 inflation broke with a frenzy. The printing of money could not keep up with the speed of rising prices. By December 1923, the banks had to give up. The country was broke. When the German government issued their money in the second world war (1938-1945) -- money that was **not** issued by banks -- the Treasury had no debt; nor was there any raging inflation. Germany's defeat was caused by moral and military factors, **not economic**, except for the great damage done by aircraft to industries.

INFRASTRUCTURE NEGLECT

As debt piles up, interest payments become so great a part of expenses that they rob the economy of money to grow and function. Interest incomes are not put back into the economy as desired, but are often shifted and invested into **foreign** projects or interest-bearing securities floated to pay interest. A vicious circle is the result. Productivity is impaired, leaving US markets exposed to cheaper foreign goods, loss of domestic producers, jobs and an increasing foreign trade deficit, calling for further payments of interest. A well-developed infrastructure is vital to successful capitalism. When interest payments dominate economic problems, infrastructure of cities suffers.

Today, cities cannot maintain existing infrastructure, yet alone develop it. A major problem to industry in foreign countries is the poorly developed infrastructure.

CHECKS WILL STILL SERVE

In a lawful Treasury dollar system, the greenback would be represented by checkables that remain in circulation, because banks won't have the privilege of eradicating the numbers. Checkables would be eradicated **only** when collected by the Treasury as taxes. Debtors will then get a fair shake and be able to make plans without fear of the rug being pulled out from under them by monetary policy. **There must always be more money in circulation than the interest required on all debt, else the economy is on a perpetual brink**. This is not the case today. An integral part of bank power strategy, crises, national emergencies, and banking emergencies are occasions for squeezing concessions out of debtors. **Banks planned twenty-seven years -- from the rejection by President Jackson of the charter for the Second Bank of the United States, to the third year of Lincoln's (un)Civil War -- to push through the National Banking Act, forerunner of today's system**. When the U.S. Treasury, **not** the privately controlled Federal Reserve Bank cartel, creates a lawful dollar and lends it to banks, banks will return to being banks. In our present state, however, banks are not banks in the same that the Federal reserve is neither 'federal' nor does it have 'reserves'.

If you doubt this truth of what Americans blindly believe is a 'dollar' these days, read or rent the video *The Wizard of Oz*. This book was written to expose the private Federal Reserve Bank cartel scheme now in effect.

[This article is based on a manuscript originally written by Dr. Edward T. Yorke in 1988]