

U.S. Bankruptcy

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In this article we will examine the evidence that the UNITED STATES government is in bankruptcy and the implications for all Americans. Before we begin trace the events demonstrating that the bankruptcy exists, allow be to quote from a fairly recent Congressional Record.

"Mr. Speaker, we are here now in chapter 11. Members of Congress are official trustees presiding over the greatest reorganization of any Bankrupt entity in world history, the U.S. Government. We are setting forth hopefully, a blueprint for our future. There are some who say it is a coroner's report that will lead to our demise." [Rep. James Traficant, Jr. (Ohio) addressing the House, Congressional Record, March 17, 1993, Vol. 33, page H-1303]

Events Demonstrating the Bankruptcy

If in fact a bankruptcy exists, one would expect to find evidence of it in our various government records. The evidence from these sources suggests that the bankruptcy was precipitated by the stock market crash of 1929. So, we will begin our search here.

In 1929, the United States entered the Great Depression. At that time, most of the major economic and military powers in the world were also in the depression. You may recall that Americas were permitted to own gold and that our currency was backed by gold and silver. People could deposit their gold in Federal Reserve banks and the bank would give them a note which they could use to withdraw their gold. Due to the panic in the economic markets after the crash of 1929, people were trying to withdraw the funds from the banks in the form currency, silver and gold.

President Herbert Hoover asked the Federal Reserve Board of New York for a recommendation on how to deal with the situation. One might wonder why President

Hoover would ask the Federal Reserve for advise. But, a review the “Federal Reserve” article will show that the Federal Reserve was in control of our monetary policy. The Federal Reserve Board adopted a resolution to respond t President Hoover’s request.

“Resolution Adopted By The Federal Reserve Board of New Your. Whereas, in the opinion of the Board of Directors of the Federal Bank of New York, the continued and increasing withdrawal of currency and gold from the banks of the country has now created a national emergency ...” [Herbert Hoover private papers of March 3, 1933]

The Federal Reserve board is stating that the run on banks is causing a “national emergency”. Since our currency was backed by gold, why would it cause a national emergency for the people to hold the gold rather than the banks? To find the answer, let’s see what President Hoover had to say.

“... that those speculator and insiders were right was plain enough later on. This first contract of the ‘moneychagers’ with the New Deal netted those who removed their money from the country a profit of up to 60 percent when the dollar was debased.” [Hoover Policy Paper, written by the Secretary of Interior and Secretary of Agriculture]

President Hoover is saying that those with inside knowledge had already removed the money (gold) from the country before the American people started demanding their money from the banks. Since the banks didn’t have the gold the people were demanding, the banks needed protection. So, the Federal Reserve Board when onto proposed that the President issue an Executive Order based upon the Trading with the Enemy Act of 1917 as follows:

*“Whereas, it is provided in Section 5(b) of the Act of October 6, 1917, as amended, that ‘the President may investigate, regulate, or prohibit, under such rules and regulations as he may prescribe by means of licensure or otherwise, any transaction in foreign exchange and the export, **hoarding, melting, or earmarkings of gold** or silver coin or bullion or currency, ****’. [Herbert Hoover private papers of March 3, 1933, emphasis added]*

President Hoover decline to issue the order but Franklin D. Roosevelt was inaugurated a President on March 4, 1933. In his inauguration speech, requested that Congress grant him emergency powers equal to those he might have in times of war to allow him to deal with the crisis. On March 5, 1933, he issued Proclamation 2038 requesting a Special Session of Congress beginning on March 9, 1933, to deal with the banking emergency. Then on March 6, 1933, President Roosevelt issued Proclamation 2039 to indicate to the Congress what kind of emergency powers he was asking for. This proclamation had exactly the same wording as that proposed by the Federal Reserve Board. But the Proclamation had not authority until Congress met to give him the required authority. (For a more detailed account of these events, read our article on “War & Emergency Powers”).

One might well ask how the Federal Reserve Board could make such influence over the President. Some researchers speculate that the depression was engineered by the Federal Reserve and the international bankers that they represent [see our article on the Federal Reserve for information about the link between the Federal Reserve and international bankers]. The banker’s motive was to further consolidate (they already controlled the monetary policy of the UNITED STATES) their power. It is also speculate that the government was told that it could cooperate with the Federal Reserve (international

bankers) or the depression would remain indefinitely. Under such political blackmail, the President, Congress and courts were willing to acquiesce to the demands of the bankers. Bear these speculations in mind as you read who quickly the Federal Reserve got what it wanted. These speculations will be an area for further research.

The very first act passed by Congress when they met in Special Session has the following preamble.

*“Be it enacted by the Senate and the House of Representative of the United States of America in Congress assembled, That the Congress hereby **declares that a serious emergency exists** and that it is imperatively necessary speedily to put into effect remedies of uniform national application.” [emphasis added]*

On the first day of the special session, Congress approved Proclamation 2039. On the same day, President Roosevelt re-issued it as Proclamation 2040.

“Whereas, under the Act of March 9, 1933, all Proclamations heretofore or hereafter issued by the President pursuant to the authority enforced by section 5(b) of the Act of October 6, 1917, as amended, are approved and confirmed;” [President Roosevelt’s Proclamation 2040].

On that same day, Congress passed the following statute.

*“During time of war or during any other period of national emergency declared by the President, the President may, through any agency that he may designate, or otherwise investigate, regulate, or prohibit under such rules and regulations as he may prescribe by means of licensure or otherwise, any transaction in foreign exchange, transactions of credit between or payments by banking institutions as defined by the President and export, hoarding, melting, or ear markings of gold or silver coin or bullion or currency, **by any person within the United States or anyplace subject to the jurisdiction thereof.**” [Title 1, Sec. 2, 48 Statute 1, March 9, 1933, emphasis added]*

This is exactly the same language that was found in the 1917 Trading with the Enemy Act with the exception of the section in bold. The exclusion of transactions within the UNITED STATES had been removed from the act.

This statute can now be found in the United States Code at 12 USC § 95b. This is the current version of the statute. Notice that the wording is almost identical to that found in the 1933 statute (shown in above paragraph).

*“Sec. 95b. - Ratification of acts of President and Secretary of the Treasury under section 95a
The actions, regulations, rules, licenses, orders and proclamations heretofore or hereafter taken, promulgated, made, or issued by the President of the United States or the Secretary of the Treasury since March 4, 1933, pursuant to the authority conferred by section 95a of this title, are approved and confirmed” [12 USC § 95b]*

This version says that the authority is granted in 12 USC § 95a. But if you look in that notes to that statute you will see that the original source authority is located in “Oct. 6, 1917, ch. 106, Sec. 5(b), 40 Stat. 415” and later in “Mar. 9, 1933, ch. 1, title I, Sec. 2, 48 Stat. 1”. So, the President still has the authority as it was originally granted in 1917 and later modified in 1933.

The effect of this emergency power is that all Americans are now part of the Trading with the Enemy Act, as amended in 1933. The significance of this change will become apparent shortly.

Since the banks didn't gold to pay out, President Roosevelt used Proclamation 2039 and 2040 along with the provisions of 12 USC § 95b to create a banking holiday. This can be verified if we read the definition for "Banking Holiday of 1933":

*"Bank holiday of 1933. Presidential Proclamations No. 2039, issued March 6, 1939, and No. 2040, issued March 9, 1933, temporarily suspended banking transactions by member banks of the Federal Reserve System. Normal banking functions were resumed on March 13, **subject to certain restrictions**. The first proclamation, it was held, had no authority in law until the passage on March 9, 1933, of a ratified act (12 U.S.C.A. § 95b). The present law forbids member banks of the Federal Reserve System to transact banking business, except under regulations of the Secretary of the Treasury, during an emergency proclaimed by the President. 12 U.S.C.A. § 95." [Black's Law Dictionary, 5th Edition, emphasis added]*

The restrictions mentioned in the above definitions are that the banks had to be licensees before they could be reopened. A license is something which grants authority to do something that would otherwise be illegal. Trading (or conducting business) with the enemy (Americans on American soil) was made an illegal activity unless licensed. President Roosevelt's papers reveal that the government will grant the license.

"The Secretary of the Treasury will issue licenses to banks which are members of the Federal Reserve system whether national bank or state, located in each of the 12 Federal Reserve bank cities, to open Monday morning." [President Roosevelt's papers]

Another provision passed on March 9, 1933 gave Federal Reserve agents the authority to act as agents of the U.S. Department of Treasury. This seems very strange since the Federal Reserve is a private business.

*"When required to do so by the Secretary of the Treasury, **each Federal Reserve agent shall act as agent of the Treasurer of the United States** or of the Comptroller of the currency, or both, for the performances of any functions which the Treasurer or the Comptroller may be called upon to perform in carrying out the provisions of this paragraph. [48 Stat. 1, emphasis added]*

We've already seen that insiders had removed most of the gold from the banks before the American people started demanding their money from the banks. Since the banks didn't have the money the people were demanding, the banks needed protection. In order to do this, the American people had to be declared the enemy. The Trading with the Enemy Act as revised in 1933 accomplished this. Then Congress passed a statute which authorized stiff fines and/or prison sentences if the people didn't turn in their gold.

*"Whenever in the judgment of the Secretary of the Treasury such action is necessary to protect the currency system of the United State, the Secretary of the Treasury, in his discretion, **may regulate any or all individuals, partnerships, associations and corporations to pay and deliver to the Treasurer of the United States any or all gold coin, gold bullion, and gold certificates owned by such individuals, partnerships, associations, and corporations. ... Whoever shall not comply with the provisions of this act shall be fined not more than \$10,000 or if a natural person, may in addition to such fine may be imprisoned for a year, not exceeding ten years.**" [Stat 48, Section 1, Title 1, Subsection N, March 9, 1933, emphasis added]*

So, not only were American citizens not able to get their gold, but their gold was confiscated by the government. Since all money was gold and silver certificates and all of this money had to be turned in, the people were left without any money.

*“During this banking holiday it was at first believed that some form of script or emergency currency would be necessary for the conduct of ordinary business. We knew that it would be essential when the banks reopened to have an adequate supply of currency to meet all possible demands of depositors. Consideration was given by government officials and various local agencies to the advisability of issuing clearing house certificates or some similar form of local emergency currencies. On March 7, 1933, the Secretary of the Treasury issued a regulation authorizing clearing houses to issue demand certificates against sound assets of the banking institutions. But this authority was not to become effective until March 10th. In many cities, the printing of these certificates was actually begun. But after the passage of the Emergency Banking Act of March 9, 1933, (48 Stat. 1) it became evident that they would not be needed because **the act made possible the issue of the necessary amount of emergency currency in the form of Federal Reserve Bank Notes** which could be based on any sound assets owned by the banks.”* [Roosevelt’s papers, emphasis added]

So we see that Roosevelt’s papers admit that the Emergency Banking Act made it possible to issue emergency currency which was based upon the assets of the bank rather than upon gold or silver (remove the U.S. from the gold standard). The “emergency currency” was “Federal Reserve Bank Notes”. Federal Reserve Notes are still used today.

Next we will see what was to be used to back up the “Federal Reserve Bank Notes”.

*“Upon the deposit with the Treasurer of the United States, (a) of any **direct obligations of the United States**, or (b) of any **notes, drafts, bills of exchange or bankers acceptances acquired under the provisions of this Act, any Federal Reserve bank** making such deposit in the manner prescribe by the Secretary of the Treasury shall be entitled to receive from the Comptroller of the currency circulating notes in blank, duly registered and countersigned.”* [Emergency Banking Act of March 9, 1933, section 4, Public Law 89-719]

Later in 1933, the House of Representatives passed a joint resolution to “Suspend The Gold Standard and Abrogate The Gold Clause” which says in part:

*“That (a) **every provision** contained in or made with respect to any obligation which purports to give the obligee a right to **require payment in gold** or particular kind of coin or currency, or in as amount of money of the United States measured thereby **is declared to be against public policy**; and no such provision shall be contained in or made with respect to any obligation hereafter incurred.”* [House Joint Resolution 192, June 5, 1933, emphasis added]

Since this measure was passed as a joint resolution, it does not have the force of law. You will notice that the resolution uses the term “public policy”. We frequently hear the term “public policy” used. But what does it mean?

“policy. The general principles by which a government is guided in its management of public affairs.” [Black’s Law Dictionary, 7th Edition]

“public policy. Broadly, principles and standards regarded by the legislature or by the courts as being of fundamental concern to the state and the whole of society.” [Black’s Law Dictionary, 7th Edition]

Public policy is not the same thing as public law!

“public law. The body of law dealing with the relations between private individuals and the government, and with the structure and operation of the government itself; ... A statute affecting the general public...” [Black’s Law Dictionary, 7th Edition]

This is a rather startling admission on the part of Congress. They are saying that what they are doing by refusing to pay the federal debt in gold is not according to the law but rather a public policy.

So, we see that the currency was no longer backed by gold (even if it is only a public policy). The new currency was Federal Reserve Bank Notes. These notes were and still are backed by “direct obligations of the United States” which are Treasury notes. They are also backed by bank “notes, drafts, bills of exchange, and bank acceptances.” This last group are notes (loans) that Federal Reserve member banks were holding on loans they had made to people and institutions. So the public or private debt instruments of the banks were considered assets to be deposited in the Treasury in exchange for “circulating notes”. This can be further proven by excerpts from the Congressional Record during the debate over the Emergency Banking Act of 1933.

[Mr. McPhadin] “... The first section of the bill, as I grasped it, is practically the war powers that were given back in 1917. I would like to ask the chairman of the committee if this is a plan to change the holding of the security back of the Federal Reserve notes to the Treasury of the United States rather than the Federal Reserve agent.”

[Mr. Stiggle] “This provision is for the issuance of Federal Reserve bank notes; and not for Federal Reserve notes; and the security back of it is the obligations, notes, drafts, bills of exchange, bank acceptances, outlined in the section to which the gentleman has referred.”

[McPhadin] “Then the new circulation is to be Federal Reserve bank notes and not Federal Reserve notes. Is that true?”

[Stiggle] “Insofar as the provisions of this section are concerned, yes.”

“[Mr. Britain] From my observations of the bill as it was read to the House, it would appear that the amount of bank notes that might be issued by the Federal Reserve System is not limited. That will depend entirely upon the amount of collateral that is presented from time to time from exchange for bank notes. Is that not correct?”

[McPhadin] “Yes, I think that is correct.”

It should be clear that the currency was no longer backed by gold but by a promise to pay on various debt instruments (loans to private individuals or businesses and the government). So, there were no hard assets backing up the currency, only promises. In the case of government loans, the collateral would be the “full faith and credit of the United States.” This is very strong evidence that the federal government was bankrupt at that time. If it weren’t, the federal government would still be willing to pay its obligations in gold and the currency would still be backed by gold.

Who did the federal government owe money too? The obvious answer is the Federal Reserve Bank, who was holding the “direct obligations of the United States.” The Federal Reserve is a private bank. It is not part of the government. The logical conclusion is that the government is bankrupt and the Federal Reserve is the creditor.

The transition from a gold backed currency to one that was not backed by any hard asset was very swift. The Federal Reserve Board proposed it to President Hoover on March 3, 1933 and it was implemented into law by March 9, 1933. This is very swift action indeed. How can we account for such a rapid change in circumstances? We have not uncovered (at least thus far) direct evidence of undue influence by the Federal Reserve (international bankers). However, their position as creditor to the UNITED STATES does provide a plausible explanation as to why things changed so rapidly.

The final topic we will explore is the impact of this even on American citizens.

Impact of Bankruptcy

So, let's clarify the difference between real money (backed by a hard asset) and a paper money substitute. Federal Reserve Notes (FRNs) are nothing more than promissory notes backed by UNITED STATES Treasury securities (T-Bills) - a promise to pay the debt to the Federal Reserve Bank. They allow the federal government to create debt which causes inflation through devaluation of the currency. Inflation occurs whenever there is an increase of the supply of a money supply in the economy without a corresponding increase in the gold and silver backing. Inflation is an invisible form of taxation that irresponsible governments inflict on their citizens. The Federal Reserve Bank has access to an unlimited supply of FRNs. The Federal Reserve Bank only pays for the printing costs of new FRNs.

We also need to understand that there is a fundamental difference between "paying" and "discharging" a debt. To pay a debt, you must pay with value or substance (i.e. gold, silver, barter or a commodity). With FRNs, you can only discharge a debt. You cannot pay a debt with a debt currency system. You cannot service a debt with a currency that has no backing in value or substance. No contract in common law is valid unless it involves an exchange of "good and valuable consideration."

What does the federal government have to offer the Federal Reserve in payment of its debts? The next quote answers this question.

*[Patton] "The money will be worth 100 cents on the dollar because it is backed by the credit of the Nation. It will represent a mortgage on **all the homes and other property of all the people in the Nation.**" [Congressional Record, March 9, 1933, emphasis added]*

We see that the federal government has offered all of the private property in the nation to its creditor, the Federal Reserve. The government can offer the labor of the people of the nation [see our article on the "Federal Reserve" system to see how the IRS is used to collect money from the Federal Reserve].

This quote is evidence that the government "hypothecated" all of all of the present and future properties, assets and labor of their "subjects" to the Federal Reserve System.

"Hypothecate. To pledge property as security or collateral for a debt. Generally, there is no physical transfer of the pledged property to the lender; nor is the lender given title to the property; though he has a right to sell the pledged property upon default." [Black's Law Dictionary, 5th Edition]

So, the government has pledged (mortgaged) our property as collateral to their creditor, the Federal Reserve. If you thought the only person who could mortgage a property was the owner, you are correct. The implication is that through some mechanism (which will be the subject of future material on this web site), the government has taken over controlling interest in our property. If this is the case, it is a violation of the 5th Amendment to the Constitution

“... nor shall private property be taken for public use without just compensation.”

You may wonder how you got roped into paying someone else's debts. The answer can be found in 14th Amendment.

The validity of the public debt of the United States ... shall not be questioned.” [14th Amendment, Section 4]

After the passage of the 14th Amendment, everyone born in America became a 14th Amendment [federal] citizen. As such, you are held liable for the “public debt of the United States.”

To provide further evidence of government control of our property, consider the fact that we pay property taxes. Prior to 1913, when the Federal Reserve Act was passed, most Americans owned property and had allodial titles. There are no property taxes in this situation. When we buy property now, we are not given an allodial title. Instead we are given a title deed which is not fee simple absolute. To better understand, let's look at the definitions of these terms.

“Allodial. Free; not holden on may lord or superior; owned without obligation of vassalage or fealty...” [Black's Law Dictionary, 5th Edition]

“Fee simple. A fee simple absolute is an estate limited absolutely to a man and his heirs and assignees forever without limitation or condition. An absolute or fee simple estate is one in which the owner is entitled to the entire property, with unconditional power of disposition during his life, and descending to his heirs and legal representatives upon his death intestate.” [Black's Law Dictionary, 5th Edition]

“Deed. A conveyance of realty; a writing signed by grantor, whereby title to realty is transferred from one to another.” [Black's Law Dictionary, 5th Edition]

*“Title deeds. Deeds which constitute or are the **evidence of title** to lands.” [Black's Law Dictionary, 5th Edition, emphasis added]*

From these definitions, it should be obvious that we do not have fee simple absolute title to our land. If we had an allodial title (without obligation), no one would have the authority to tax the land. They would also not have a right to sell the property if the taxes weren't paid. But when the property was hypothecated, the government took that authority. The title deed is evidence that a title does exist. But the question remains, who holds title to the property? It would seem that the government has taken control of our property and then they lease it back to us for what is called property taxes.

In return for turning over all the property in the U.S., the Federal Reserve Bank agreed to extend the federal government all the credit (money substitute) it needed. Like any other debtor, the federal government had to assign collateral and security to their creditors as a condition of the loan. Since the federal government didn't have any assets, they assigned

the private property of their “economic slaves,” the UNITED STATES. citizens, as collateral against the unpayable federal debt. They also pledged the unincorporated federal territories, national parks and forests, as collateral against the federal debt (for evidence of this see the United Nations plaques in most of major national parks).

You might say, “I don’t feel like an economic slave.” If not, then why are most Americans mortgaged to the hilt and have little or no assets after all debts and liabilities have been paid? Why does it feel like you are working harder and harder and getting less and less? Evidence of your economic slavery is the fact that you pay Social Security taxes and income taxes.

Remember that we said the federal government could also pledge the labor of the citizens. The federal government gets the benefit of your labor in the form of federal employment [income] taxes. What you may not know is that the federal government does not have constitutional authority to tax your wages. So the income tax is voluntary [see our article on “Income Tax is Voluntary”]. You volunteer to pay of the public debt when you apply for a social security number and then give it to your employer when you file a W4 form. If you don’t believe it, find a canceled check that you have written to the I.R.S. Turn it over and on the back you will see that the check was endorsed for deposit in a Federal Reserve account. So, your check to pay your “income tax” was deposited into the Federal Reserve, a private bank, who is the creditor for the federal government.

In summary, the federal government is bankrupt. The Federal Reserve is the creditor to the federal government. All of your property and labor have been pledged to pay the debts of the federal government. As a UNITED STATES citizen, you are held liable for the public debt.