

Our Dishonest and Corrupt Monetary System

Jim Puplava Interview With Lawrence Parks

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Editor's Note: We have edited the interview in this transcription for clarity and readability. The original Real Media audio interview may be heard on our Ask The Expert page at FinancialSenseOnline.com

JIM PUPLAVA: Welcome everyone to this week's program. It is time to introduce my guest. Joining us on the program is Dr. Lawrence Parks. He is the Executive Director of the Foundation for the Advancement of Monetary Education (FAME). He has broad experience in academia, in business and in finance. He holds a Ph.D. in Operations Research from the Polytechnic University. Dr. Parks has studied the money issue for more than three decades. His writings have appeared in *Pensions & Investments*, the *Economist* and *The Washington Times*. Dr. Parks, you have written a book called *What Does Mr. Greenspan Really Think?* You believe that the press and the financial world are not paying attention to what Mr. Greenspan is really saying. Why do you believe that is so?

DR. LAWRENCE PARKS: Part of the reason is that — in this book, by the way, I have translated a lecture that Mr. Greenspan gave in Belgium from the “FedSpeak” jargon that he uses into plain English so that everyone can understand him — I think that one of the reasons that the press doesn't get it right is that only about three or four people from the financial press follow him closely. Everyone else copies what they say. These are people like David Wessel from *The Wall Street Journal*, Robert Stevenson from *The New York Times*, and a couple others maybe from *Business Week* and *Fortune*. There is very little primary coverage on Mr. Greenspan. It is a pity, because his institution affects our lives in a very profound way, and not to the good.

JIM: What has the Fed Chairman been saying these last three years? Inside your book, you talk about how he blows the whistle on fiat money, wealth transfer, and intimates, quite frequently I might say, about financial collapse.

DR. PARKS: He was very forthright in the lecture. I think he wanted to get some issues off his chest, which may be why he did it in Belgium, where nobody from our media covered it. It wasn't picked up by *The Wall Street Journal*, not by *The New York Times*, not by anyone! He talks about instability in the system — the fact that we could all lose our savings in an eye-blink. What he doesn't say, and what he should say, is that the whole financial system that we have in our country is a fraud on the people. Part of the evidence is that all of our money is legal tender. There was a time in 1870, 132 years ago, when the Chief Justice of the Supreme Court, Salmon Chase, came right out and said: “The legal tender quality [of money] is only valuable for the purposes of dishonesty.” Of Dishonesty! From the Chief Justice of the Supreme Court!

At its core, the monetary system that we have now is really a cheat. It helps transfer the wealth that ordinary people produce to the financial sector. You can think of it as a big vacuum cleaner, vacuuming up wealth from all over the world and transferring it to the financial sector. This is not a happy message and I understand that. The implications for investors are very dire.

One of the stories I am telling now is, what would you do if you knew in 1999 that Enron was a fraud? Suppose you were a money manager with a fiduciary responsibility to invest on behalf of other people. Would you have invested in Enron on the theory that, if you didn't invest in 1999, you would under perform, and also on the theory that you could get out in time?

Anybody who is honest would have to say “no.” Skepticism about the honesty of our monetary system is beginning to appear, partially because of our work at FAME.org. Once one realizes that our monetary system is fraudulent at its base, how can people buy bonds? How can money managers in good conscience put people's money into municipal bonds or government bonds, knowing that the whole thing could collapse around their ears?

JIM: In the preface to your book, you quote Ferdinand Lips, a Swiss banker, who wrote: “France's experience with John Law is being repeated on a worldwide basis.”

DR. PARKS: I am glad you mentioned Mr. Lips. This is a gentleman who is super-establishment Swiss. He can trace his family on both sides back to the 13th century. His career has been in banking. He was one of the founders of the Rothschild bank in Switzerland and was a managing director of the Rothschild Bank for more than 20 years before founding his own bank. He has also written a book. It is called, *The Gold Wars: The Battle Against Sound Money from a Swiss Perspective*.

One of the points that he makes is that, by having fiat money, one enables governments to engage in what he calls “wars of adventure.” The First World War, in Mr. Lips' view, would have been over in a couple of months had the world stayed on the gold standard. Gold, by the way, is the free market choice for money. The fact that the world went off the gold standard and into paper money enabled the governments to prolong that war for four years and kill millions. If you think about it, what was World War I about anyway?

JIM: In your book, *What Does Mr. Greenspan Really Think?*, you talk about the language Mr. Greenspan uses. You say that he is very careful with the words that he chooses. Some of his statements are very direct; while others have qualifiers appended. Explain that.

DR. PARKS: That's right. Many times, he will say something and then say, “presumably this is so,” or “arguably this is so.” If he thought it was so, then he would just say “this is so.” In my view, when he puts in those kinds of qualifiers, he is hedging. He is signaling that it may not be this way.

I think the most important topic in this book is the issue of financial collapse. In essence, because we guarantee the balance sheets of the banks, and nobody gets the special privileges that the banks get — we guarantee their assets with the “lender of last resort facility” at the Federal Reserve, and we guarantee their liabilities with Federal Deposit Insurance, i.e., their whole balance sheet is protected — what stops them from making crazy bets?

The metaphor that I like to use is this: It is as if you sat down at a poker game. You play the game. If you win, you keep the winnings. If you lose, taxpayers replenish your stake. Who wouldn't play in a game like that? The answer that Mr. Greenspan comes up with is we are going to *regulate* the banks. We are going to watch what they do. Coming back to my metaphor, it is like someone standing over your shoulder saying, “You know, Jim, you don't want to pull to an inside straight against three showing.” The problem is that the banks make off-table bets. So in the case of banks worldwide, they have roughly \$110

trillion worth of derivative bets. If they win those bets, they keep the winnings. If they lose those bets systemically, taxpayers will bail them out.

Mr. Greenspan is very explicit about this. He says we are *subsidizing* the banks. Part of the subsidy, and he repeats this *five* times — I take it as a warning — is that the Federal Reserve stands ready to create money “without limit” to bail the banks if the need arises. He repeats that *five* times in different places in the lecture, creating money — flat out of nothing — “*without limit.*”

What that means to ordinary people is that your careful savings of a lifetime and your pensions could be wiped out in an eyeblink. Why should you have that kind of risk exposure? He goes on to say that, if we had gold as money, the possibility of this kind of collapse would be virtually eliminated. You know, Jim, that is what I want. I want a monetary system where this kind of collapse is virtually eliminated.

JIM: You know most people, as you speak of this kind of risk or danger, say this can't happen with government guarantees. We have the FDIC. I was wondering if you could address some of the recent issues of the people in Argentina. What happened to them and their banking system?

DR. PARKS: The way things stand now, Argentina is our future. The collapses of paper-ticket fiat monies have been happening all over the world. On our website we have a currency destruction chart. It depicts the change in purchasing power of the major currencies from 1950 to 1990. Many, maybe most of them, have lost almost all their value. Some of them, like the Argentine peso, have had multiple currency collapses in recent memory. These people just don't learn. As I mentioned earlier, the free market choice for money is gold. Interestingly, the IMF, which is under the *de facto* control of the financial sector here in America, in its Articles of Agreement, Section 4-2b, prohibits member countries from linking their currencies to gold and only to gold.

As far as the IMF is concerned, if the Argentines, who are desperate to have a stable currency, want to link their currency to sour pickles, that would be okay. But to link it to gold, that is prohibited. What possible public policy justifies prohibiting all these countries around the world from linking their currencies to gold? You don't have an answer to that because there *is* no possible public policy justification. What the IMF is doing is getting rid of the competition. Here in America, we had one of these crises in the 1930s. One of the first things Franklin Roosevelt did, as did Hitler, as did Mussolini, was to seize the gold. For 40 years in America, it was a felony for Americans to own monetary gold. Again, what possible public policy justifies making gold ownership a felony? How can that possibly be explained?

JIM: Let's talk about some of the key issues raised by the Fed Chairman, because he does warn about this. He states that you and I, as ordinary taxpayers, are subsidizing banks and that government guarantees *induce* banks to increase risk, as you just mentioned. In other words, that the Fed, as an institution, harms ordinary working people. I think that is one thing people would find hard to understand. The reaction for example, on the day you and I are talking, when the Fed cut interest rates ½ point, Wall Street was jubilant and so were investors. The Fed puts the entire economy at risk. Mr. Greenspan concedes he lacks knowledge. Gold is the only medium of money that can solve these problems. The fiat money system is doomed. He spells out all these dangers.

DR. PARKS: He spells this out. You know he wrote an essay in 1966 entitled “Gold and Economic Freedom.” He took the position that the only way you can possibly protect yourself is with gold. He wrote in that essay that is why there is hostility from politicians

and from the financial sector against gold; they don't want people to protect themselves. Recently, around 1993, I asked him if he still agreed with the reasoning and the conclusions he drew in that article. He looked me right in the face and said, "Absolutely!" I have this in the book.

There is a fellow on FAME's board of advisors — I call him Our Hero in the Congress — whose name is Dr. Ron Paul. He is a Congressman from the 14th district in Texas and just yesterday he was re-elected with 68% of the vote. Ron is on the House Banking Committee. He gets to interview Mr. Greenspan twice a year during the Humphrey-Hawkins testimony.

He was at a reception for Mr. Greenspan a few months ago and he had a copy of this article with him. He asked Mr. Greenspan to autograph it and asked him if he would change anything. Mr. Greenspan said, "Not a word!" So, Mr. Greenspan still believes. He doesn't say this in Congress, he doesn't make speeches about it, but he still believes that only the way you can protect yourself is with gold. That is a fact. That partially explains the hostility you see to gold from the financial sector because, in the event that people were to use gold as money, a lot of the money the financial sector makes, maybe 95% of it, they wouldn't make.

As to today's rate cut, when Mr. Greenspan cuts rates, there are winners and there are losers. Some of the losers are seniors, the elderly who have carefully saved their whole lifetime and have invested in what they believe is the safest possible investment, U.S. Treasury Bills. When the Federal Reserve lowers interest rates, interest that ought to go to these seniors does not go to them. In effect, people who borrow money — typically people who refinance mortgages — but mainly very large borrowers, get a break.

In effect, the Fed is transferring wealth from these seniors, who have saved all their lives, to other people. These decisions, by the way, that the Federal Reserve makes, are not reviewable by the President, not by the Congress, and not by the Supreme Court. What does that say to the notion of representative government or democracy?

JIM: We don't have much of a democracy. In your book, you quote Paul Volcker, former Fed Chairman who warned: "The truly unique power of a central bank, after all, is the power to create money, and ultimately the power to create is the power to destroy." If the central bank has unlimited power to create money, it has the power to destroy the very savings you and I have been talking about.

DR. PARKS: Right! That is exactly right. And the Federal Reserve is pledged to do that in the event that it determines, in its sole discretion, the need to bail out the banking system. Parenthetically, on July 10th of this year, I got to interview Paul Volcker for 45 minutes. One of the lines that Mr. Volcker uses — it's on our website at FAME.org — is, "A global economy requires a global currency." Well, what is that global currency going to be? Some paper-ticket, arbitrary electronic money created out of nothing by the banks? Or are we going to have the free-market choice, again, which is gold? Do you see the problem?

JIM: I sure do. I want to get to this problem as it relates to our fiat money system. Before we get to the U.S., let's talk about how the financial system imploded in Asia. If we look at what happened in Asia in 1997, they had allowed their economies to overheat in the 1990s. They borrowed too much money from abroad, and their banks lent badly. This all imploded in a single year.

DR. PARKS: You know, that is spin that came after the fact. While they were doing what they were doing, they were lauded as the "Asian Tigers," as examples to the rest of

the world, with no inflation and with rising standards of living. They were like the poster child for the New Age. And all of a sudden, nobody can explain why, the whole thing collapsed around their ears. Then it turned out they had “crony capitalism” and the banking system had overreached.

We have the same thing here. We have the banking system overreaching. We have all kinds of deals between government and the banks. What is the difference? We have a huge trade deficit — more than \$450 billion for this year. We’ve got \$30 *trillion* worth of debt, unserviceable. How can this have a happy ending? Again, the only way people can protect themselves is with gold. What I have done with this book is to show that Mr. Greenspan is the guy who is driving the bus. If you can’t rely on his words, who can you believe?

Another way to look at this, especially the issue of financial collapse, is to consider some of the things that don’t make it into the press. For example, the Bank for International Settlements (the “BIS”), which is the central bank for all central banks, recently formed something called the Financial Stability Institute. They didn’t form that Financial Stability Institute because everything is okay. They have a problem.

The Council on Foreign Relations here in New York is running simulation games on financial collapse. What is really interesting about these games is not the games themselves, but the participants. I have passed many of these people and it’s like Who’s Who in the financial world. I can promise you, these people have better things to do with themselves on a Saturday afternoon than to hang out on East 68th Street playing games. They have a problem.

The Kansas City Fed recently had a whole conference on financial collapse. These things don’t make the press. The day after I interviewed Paul Volcker, on July 11, Mr. Kohler, the head of the IMF, said the probability of a complete worldwide financial meltdown was one in five. One in five! This did not make *The Wall Street Journal*. This did not make *The New York Times*. This did not make any television show. The BBC picked it up and I clipped it off the BBC, the British Broadcasting Corporation.

JIM: We have a system where, at least at one time in the 1970s, Wall Street would have questioned the unrestrained creation of money. I can remember a time when we were following M3, the “m&m’s” I used to call them. With every single week when the figures came out, everyone would look at them. Interest rates rose. Today, anytime there is a problem, Wall Streets salivates. I thought they were going to don tuxedos and pop the champagne today when the Fed announced that it would cut interest rates $\frac{1}{2}$ a point rather than $\frac{1}{4}$ of a point.

DR. PARKS: Low interest rates allow banks to increase leverage. It’s the leverage, by the way, that makes the whole structure unstable. Mr. Greenspan says that to signal banks that the leverage is getting out of hand, interest rates must be allowed to rise. He has a problem now. If interest rates rise, a lot of the leverage starts to unwind. Once the leverage starts to unwind, you get bank defaults. As soon as you start getting *systemic* bank defaults, then the Federal Reserve has to play the lender-of-last-resort card. And, as he says, and he is absolutely correct, that is highly inflationary.

Furthermore, he is very astute, this fellow. He recognizes he can only play this card once or twice a century. If they keep bailing out the banks, like they have done all over the world, people are going to object. However, again, they only get to object *after* the fact. That is *after* you have lost your savings; *after* you have lost your pension; and *after* you have lost your job. Then you get to object. But as they say, the horse has left the barn, now what?

JIM: You know he warned about this happening only two or three times a century, but if you look at 1987 we had the stock market crash bailed out with money. We had the savings and loan crisis in 1990 and 1991 bailed out with money. A couple of years later, we had the peso crisis. A couple of years later, we had Asia. The next year we had Russia and Long Term Capital Management. We had Y2K. We had a recession. And then we had 9/11. Now we are back into recessionary problems.

What surprises me, Dr. Parks, despite all of this, people see nothing wrong with aggregate U.S. borrowing increasing by \$2 trillion a year — almost twenty percent GDP. And this bubble has been created in a recession, in my mind. In the mortgage market and the re-fi game that consumers are playing, they are going deeper into debt. All of this is being looked upon by the financial community and those in Washington as healthy. In fact we have created multiple bubbles. In my opinion, these bubbles are going to make the possibility of a major crash more likely and more devastating when it occurs.

DR. PARKS: You have this exactly right. You put your finger right on it. One of the reasons, by the way, this doesn't make the press is that the financial guys, in effect either own or control the press [editor: by financing their debt]. *The Wall Street Journal* — take a look at who their advertisers are. When publishers meet with advertisers, the media is not going to say things that will damage their own constituency. Furthermore, one of the things the financial guys have done, which is very clever, is that they have compromised the academy. They buy off these monetary academics with honorariums, with consulting assignments, with prizes, with endowed chairs, with research grants, and so on.

Consider someone like John Kenneth Galbraith. He holds the Paul M. Warburg Chair in Economics Emeritus at Harvard. Who was Paul Warburg? He was the one who provided the intellectual ammunition for starting the Federal Reserve. What is John Kenneth Galbraith supposed to say? By the way, he has opened his mouth.

He wrote a book in 1975 entitled *Money: Whence it came, where it went*. In this book, he wrote: "The study of money, above all other fields in economics, is one in which complexity is used to disguise truth or to evade truth, not to reveal it." Now, we have a word in the English language for evading and disguising the truth. It's called lying. What Galbraith is saying, in other words, is that when it comes to money, economists lie! Why do they lie? They have tenure. Why don't they tell us the truth?

The answer is that the monetary economists, for the last fifty years or more, have been bought off. I just found out last year, for example, that the so-called Nobel Prize in Economics is not one of the prizes that Alfred Nobel endowed in 1901. No. This prize came in 1968. The endower is the Central Bank of Sweden. It is a *bank* prize, and the real name of the prize is the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel. So it is as if we gave you, Jim, a million dollar prize, worldwide publicity and we come to you and say, "Tell us, what is the story about fiat money?" What are you supposed to say? Not what I am saying. You see?

JIM: You talk about Galbraith and many of those who have been bought off. I have seen my son's college economic textbooks. A couple of years ago I was going to pursue the CFA program. I got my books and as I looked through them, I thought that if I study this stuff, I am going to get myself messed up in the way I think.

DR. PARKS: That is right. It is just a bunch of nonsense. The key concepts about money, which used to appear in the textbooks at the turn of the 20th century, no longer appear. They are gone. By the way, the concept of printing money is really a misnomer. Almost all of the money in our society today is created electronically by the banks. It is

not printed. The amount of currency is on the order of \$600 hundred billion. Half or more is out of the country. Almost all the money is electronic.

To give you some numbers and to show you the magnitude of the problem, in 1950, the amount of money we had in this country was about \$150 billion, according to the Federal Reserve. As we talk, it is about \$8.3 *trillion*. It went from \$150 billion to \$8.3 trillion — all created out of nothing and without work. Of that \$8.3 trillion, the Federal Reserve created roughly \$600 billion. The other \$7.6 *trillion* was created flat out of nothing by the banks. By the banks! It's the *banks* that create money, not the government. The Congress has delegated to the banking system a power that our Congress does not have under our constitution, the power to create money out of nothing. How is that for special privilege?

JIM: I would love to have a business that is backed like that.

DR. PARKS: It's dishonest, as Chief Justice Chase said in 1870. It's dishonest!

JIM: Absolutely! Most people don't perceive it as so, because they have been so dumbed-down by the education system. I want to talk about the banking system. In the sense that most depositors today, if I were to mention the word "safety" or "safe investments," most depositors that have their money in a savings account in a bank or in a CD, think that they have their money in a very safe place. But Doctor, why don't you tell them how less secure they would feel, if they realized that are really unsecured lenders.

DR. PARKS: One of the reasons the banks have gotten away with this is because they have misrepresented by telling people that, when they put money in a bank, they are making a "deposit." In fact and in law, they become unsecured creditors of the bank. They are *loaning* the bank money. That money becomes the *bank's* money to do as the bank wishes. It can gamble with it. It can give mortgages with it. Anything it wants. Again, people become unsecured creditors.

Federal Deposit Insurance came about *after* the banks failed in the early 1930s. People were not putting money back into banks. They didn't trust the banks, and for good reason. In order to *induce* people to put money into the banks, the banks got together and bought off the politicians, with what today are euphemistically called "campaign contributions." And Congress passed the Federal Deposit Insurance legislation. The idea is that the government somehow should back up, or in effect, subsidize, these private companies. Again this all speaks to the notion of special privilege.

One of the guiding principles of America, one of the principles that makes America great, is that we are supposed to all be equal under the law. In fact, when the founders wrote the *Constitution*, they were so mindful of this they made it unlawful to grant titles of nobility. They didn't even want the *appearance* of special privilege.

The special privilege that the banks have gotten for themselves today, the power to create money out of nothing, is more power than Pharaoh had. When Pharaoh built the pyramids, he had his army of thugs overseeing the slaves. They would be dragging rocks around the desert. Today, if you can create money out of nothing, you can buy everybody off. That is what they do. In other countries, they have it worse. In Mexico they have a saying that either you take the silver or you take the lead. The silver today isn't really silver. It is paper-ticket money and of course the lead is a bullet. They only have to shoot one guy and everyone gets the message. We aren't doing that here yet; that comes later. The whips and the guns come later.

JIM: Let's talk about how leveraged the banking system is. I want to talk about two forms of leverage. One is the fractional reserve system itself. I wonder if you might

explain that. Number two, I want to talk about one of the most dangerous aspects of banking that I have seen, at least in my financial career, the explosive growth of derivatives. I would like you to address both of these issues.

DR. PARKS: Fractional reserve lending is jargon for creating money out of nothing. That's what that means. In the case of derivatives, these are *bets* that the banks make. The banks today in the aggregate worldwide have made roughly \$110 *trillion* worth of bets. That is all they are. Banks are making bets and creating money.

One of the things that obscures this for everybody is that banks alone do not have to reveal their entire balance sheets, as all other public companies must do under Securities Exchange Commission regulations. Banks have the option, with some of their assets, to put them in a basket that they call "held for investment." When they put assets into that basket, those assets (they could be stocks or bonds or whatever) are held at historical cost, rather than at market value. So here is how this works.

Suppose a bank bought General Electric stock before it collapsed and put it into the "held for investment" basket. They then account for it at its original price. Nobody else gets away with this except for them. The reason they get away with it is because they say, in effect: "If we had to mark everything to market, there would be too much volatility in our earnings. We don't want you to find out." All this is secret. It is called bank secrecy. The regulators know, but they don't tell us. There is no way for us to know what is going on with the banks.

That is one of the reasons we were blind-sided with the collapse in Mexico and the collapse in Asia. One day everything is okay and the next it is terrible. When Argentina "dollarized" in 1994, they were heroes. They were considered investment grade. People were sending them money. All of a sudden, Argentina has 30% unemployment and everyone is wiped out. How does that happen? The answer is the whole thing is dishonest.

There are winners and there are losers. The losers are the ordinary people who lose their pensions, lose their savings and lose their jobs. The winners are the financial guys. Today the financial guys are getting so much money it's an embarrassment. It's obscene. They don't even know what to do with the money. I don't know if you noticed, *The New York Times* reported a few months ago that four bankers went out to lunch and spent \$62,000 for *lunch*! Did you see that?

JIM: Yes, I sure did.

DR. PARKS: Part of that was four bottles of wine that went for \$15,000 each. What business do restaurants have stocking \$15,000 bottles of wine? That wine represents the life savings of some ordinary people. Here in the New York region, you have guys buying 300-foot boats and 30,000-foot houses! What's going on here? These are young kids. These aren't people who have produced products or services that improved the quality of life for other people. They haven't discovered the cure for some dread disease. They haven't invented something. Why is all this money coming to them? And very telling, also, there is this cute anecdote.

There is a financier in the New York region—I have nothing against him personally—his name is Ron Perelman. A few years ago, he married a woman whose name is Patricia Duffy. They had a kid and then they got divorced. In the divorce proceedings, for the three-year-old, Patricia Duffy said she had to have \$35,000 a *month* for the child. Now, Jim, I cannot make up a list of how to spend \$35,000 a *month* on a three-year-old. I don't know how to do that.

This is how these people live. What is it that they produce that all this wealth should come to them? The answer is they have special privilege. That just has to stop.

JIM: Let's talk about how they make so much of that money, because they make it with leverage — whether it is fractional reserves or derivatives. Dr. Parks, the thing that disturbs me most with derivatives, I think back to Long Term Capital Management where you had these bright PhD's and two Nobel Laureates, that had come up with this option program that measured volatility. These were some pretty bright guys and the brightest minds could not perceive an unforeseen event such as Russia or the widening of credit spreads. The problem with derivatives is you're right and rich or you are bankrupt. There is no in-between.

DR. PARKS: That is right, and the important thing for ordinary people to understand is that all of us, you, me, our families, we are the ultimate counterparties. One of the things Mr. Greenspan talks about in the book is that if these bankers had to make bets with their own money and had to take their own losses, they wouldn't make those bets.

Fractional reserve lending, creating money out of nothing, is not new. This has been going on for a couple of hundred years. However in the 19th century, with some restrictions, officers and directors of banks were *personally* liable to depositors. So, if a bank went bust, the homes and savings of bank officers and directors were on the line. That is gone. Today, these guys have no downside. True, the shareholders could take a loss in their stock. But meanwhile, do you know what the banks took out of the economy last year? Nearly \$400 billion. The Wall Street firms took out another roughly \$250 billion. By the way, your listeners can verify this for themselves. It is on the FDIC, Federal Deposit Insurance Corporation, website, www.fdic.gov, in the statistical section.

Between the banks and the Wall Street firms, who get transaction fees for moving the newly-created money around, they took out nearly three times the amount of money that the auto industry took out. But from the auto industry, we got 20 million cars. What do we get from these guys? We get cancelled checks and bank statements. This is monstrous, don't you think?

JIM: I wrote a piece called "The Perfect Financial Storm," and I can't help but think that this is coming. I want to address this issue with you, Dr. Parks. There is a lot of talk in this country that we could see deflation very much like we did in the 1930s. In my opinion, the United States today is a much different country in many ways. Number one: we are no longer self-sufficient in capital; and, number two: we are no longer self-sufficient in manufacturing. Just look at anything we have in our homes — whether it is our cars, TV set or DVD player — we probably bought it from overseas. Number three: we are no longer self-sufficient in energy. We are creating money, taking on debt. Now, the collapse of debt could be deflationary. I can't help but think that the way the United States is heading is going to be more like what happened in Argentina than what happened in Japan in the 1990s or like what happened to the U.S. in the 1930s. Am I wrong?

DR. PARKS: No. Debt is deflationary. Technology improvements, productivity improvements are deflationary. However, when you have a highly-leveraged system like we have today, in the event that deflation starts to take hold, then all the leverage in the financial world starts to unwind, you start to get defaults on money owed to banks, and then the Federal Reserve has to play the lender-of-last-resort card. By the way, the "lender-of-last-resort" is a misnomer. They are not really lending anything. What they are really doing is creating money out of nothing and giving it to the financial guys. *Giving* it to the financial guys. That is, as Mr. Greenspan points out in this book, highly inflationary.

They would like to postpone the evil day as far into the future as they can. Part of the way they do that is by misrepresenting, by not telling the people the truth. In the case of foreign banks owing money to U.S. banks, they funnel money through the IMF, the International Monetary Fund, into those banks so they can repay U.S. banks. In the case that these foreign banks owe money to banks in other parts of the world, they are less likely to give them money.

When Russia collapsed in 1998, most of the money that Russia owed was to German banks. We didn't bail them. The Germans were out of their minds about this. Another example in the 1970s, when New York City got into trouble, it turned out that most New York City bonds were held by New York City banks. So New York City got bailed. In the case of Orange County, nobody bailed them out, because the Orange County bonds were held by pensioners and that sort of thing. See what happens?

The whole system is geared around transferring the wealth of society to the financial sector. The financial guys have pretty much bought off our politicians with what the euphemistically call "campaign contributions." They spent \$300 million just to get rid of the Glass-Steagall Act. Again I have to keep coming back to what Chief Justice Chase said: It's dishonest!

JIM: The sad thing about it, Doctor, is that most Americans have been so dumbed-down about this, including those on Wall Street who actually believe in what it is they are doing. They don't understand the dangers of the storm we are heading into. To me, it is going to be one of the biggest storms we have ever seen in our history. As we look at the situation, it is almost as if we are heading into the abyss. It is amazing to me to see the complacency, what the economists write. People have their stock funds wiped out. They are mortgaging their homes and taking out the equity to spend. Their credit card debt is going up. Their installment debt is going up and auto loans are going up. Debt is so pervasive, and nobody questions this. It's insanity.

DR. PARKS: That's right. I have done about 300 radio interviews on this book, and you are the one who has this exactly right. Everything you have said resonates completely with me. You have thought this through and you have it right. People want to have faith in their institutions. But, you know what, the evidence that has been accumulating recently is that a lot of these institutions can't be trusted. You can't trust corporate America anymore. You can't trust accountants. You can't trust the lawyers. Even the Church has come under attack. So why do you think the monetary guys can be trusted? They can't be trusted. They are lining their own pockets.

JIM: As you and I are sitting here talking, I think it would be really hard for many Americans to even envision as our grandparents did when the banks closed down, that day, just as it has in Argentina and as may happen in Brazil, that that day is coming to America.

DR. PARKS: It is hard to envision. One of the guys who has given us substantial clue about this, who people should pay attention to, also, is George Soros. I don't recall if I put this in the book, but in 1992 George Soros beat the Bank of England for a billion dollars. Do you remember that?

JIM: I sure do.

DR. PARKS: A couple of years ago, he wrote a book called *The Crisis in Global Capitalism: Open Society Endangered*. In this book he talks about that transaction. In his words, and these are *his* words, "I was taking money out of pockets of British taxpayers." This raises a question for me: Well, Mr. Soros, what did the British taxpayers get in

return? Why should they give *you* a billion dollars? He has a very disingenuous answer. He says, “I was just playing by the rules, and I didn’t make up the rules.” Well, you know what? There is something wrong with the rules.

This leads into this business on globalization. You have a lot of manifestations. But at its root is our corrupt and dishonest monetary system. This has to be changed. But before the monetary system can be changed, you need disclosure. That is what this book is about and that is what our organization is about. FAME.org is about disclosure, ending the misrepresentations, and ending the coercion.

One of the groups that may be very helpful in helping to change the system is large industrial companies, on the theory that large industrial companies, as you and I, as ordinary people, and as small countries all around the world, want monetary *stability*. We want interest rate *stability*. We want currency *stability*.

However, the financial sector does not want stability. The financial sector wants *volatility*. Why? Because they make big money from trading. However, the financial guys have been in *de facto* charge of the monetary structure for the last 90 years, and they have rigged that structure and all of the concomitant international financial institutions for their own benefit, and to the detriment of everybody else. But, if large companies, if they could be made to see the light; if they understood the problem, they could change it. They have lobbying organizations in Washington. They have PR departments. They could raise the level of awareness.

JIM: Well, one way we can raise the level of awareness is for you to tell us more about your website. What will our listeners find by going there? Also, please talk about some of your books.

DR. PARKS: It is www.FAME.org. We have been on this for the last seven years. We used to have a lot more material on the website, but I took off everything that was not on point. We have three books. One is *What Does Mr. Greenspan Really Think?*, which is by me. Another is *Gold Wars, The Battle Against Sound Money From a Swiss Perspective*, by Ferdinand Lips. And the third is *Special Privilege: How the Monetary Elite Benefit at Your Expense* by Vincent LoCascio. These books, by the way are available from barnesandnoble.com and Amazon.com. We have the right stuff on our website. We have assembled two outstanding boards. Some of our members have worldwide reputations. I think we have this exactly right. I think this issue should be transferred away from economics and totally into a moral issue. It is a moral issue.

JIM: I say it’s dishonest weights and measures.

DR. PARKS: That’s right! Morality trumps economics. These economists can say whatever they want, but if the Chief Justice of the Supreme Court is going to come out and tell you it is dishonest, what is the difference what these economists say?

JIM: Doctor, in conclusion, taking a look at where we are now and where we are heading, it seems to me that at this point it may be too late to get out of the storm. Does the system implode and we just hope to rebuild afterwards, or can we avoid the seemingly cataclysmic storm that seems to be heading our way?

DR. PARKS: We can avoid it. There is going to be a hit and some people are going to pay. However, what we don’t want is some kind of discontinuity where people get caught by surprise. If people get caught by surprise, there is no telling what will happen. As opposed to Argentina — I have a lot of acquaintances there and I have seen videotapes of what is going on — you have a lot more risk here in America. In Argentina, protestors

are holding hands and carrying signs. In America we have 250 million guns in the hands of the public. You take away people's pensions, you take away their savings, they lose their jobs, and you have the potential here for very serious unrest. I don't want to see that happen. FAME, the Foundation for the Advancement of Monetary Education, wants to educate people, to bring them up the learning curve. We can make this change. It is going to be painful, but we need to make this change and avoid a discontinuity because that could be totally catastrophic to all of us.

JIM: You know it seems to me if we had a politician. . . I mean, if you had a cold and caught the flu and went to see your doctor, chances are the doctor would tell you, you are going to have to go home, stay in bed, get some rest and drink plenty of fluids to work this thing out. It seems the same prescription should be given to the American public. We can get through this. We can work this debt out, put ourselves on a sound monetary system, get rid of this volatility, and go back to an honest money system. Do our politicians have the courage to do this?

DR. PARKS: There is just one. That is Ron Paul from the 14th district in Texas. However, most politicians are water carriers. These are not people who initiate legislation on their own. That is why I am optimistic about large industrial companies. They have a lot of politicians under their control. They are the ones who give them the money to get re-elected. So the politicians can do something, but they need what they call constituent support. The constituent support they are concerned about are their large contributors. Large industrial companies, these are major contributors and they can pull it around.

Another group that can be helpful is Organized Labor. One of the ironic things is that during the 19th century, Organized Labor had the money issue exactly right, especially with regard to legal tender. Two questions Labor raised were: First, if our money is good money and would be preferred by the people, than why do we need legal tender? (Legal Tender used to be called "forced tender".) Second, if our money is *not* good, why should people be forced to use it? Labor, at the end of the 19th century, had tag lines like, "We want money that doesn't depreciate at home or abroad." Exactly. That is how I feel. That is how *everyone* feels! Why should we have money that depreciates?

JIM: I couldn't agree with you more. Doctor, you have done a fabulous job with your website. I would recommend this book, *What Does Mr. Greenspan Really Think?*, to anyone listening to this show. I read it on vacation. I picked it up and read it straight through. I couldn't put it down.

DR. PARKS: It is an easy read, only 145 pages. It has been a real honor for me to be on your show, and I am very grateful for your giving me all this time.

JIM: Well, Dr. Parks, it is an honor to have you on our show. Keep up the good work and if you ever want to come back onto the program and talk, we would be glad to have you on as a guest.

DR. PARKS: That is very kind of you. Thank you!

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