IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF UTAH

CENTRAL DIVISION

UNITED STATES OF AMERICA, Plaintiff, vs. FEDERAL RESERVE BANK Defendants.	)	INDICTMENT VIOLATION OF U.S. CURRENCY LAW CR-82-0107 W

Inasmuch as we have issued indictments and subpoenas which the U.S. Attorney and the courts would not act upon, we issue this final indictment of the federal reserve and its(c) principals. This is not done in anger or as an act of disrespect, but still disagreeing with the U.S. Attorney and the courts.

The Grand Jury finds that--

The power to print paper money or to issue bills of credit, was never given to the Federal government and it is contrary to both the letter and the spirit of the Constitution for it to do so.

While the power "to coin money, regulate the value thereof and of foreign coin" and the power "to borrow money on the credit of the United States" were both delegated to the Congress, the power to print money was never given. A proposal was made in the Constitution convention to give Congress this power and it was defeated by a vote of nine states against, two for. (See Madison's Notes on Debates in the Federal Convention for August 16, 1787). But the wording of the Constitution itself denies such a power to Congress. It provides that "No state shall make anything but gold and silver coin a tender in payment of debts." This being so, when the Federal government issues irredeemable paper as a tender in payment of debts it compels them to violate this prohibition. Inasmuch as the laws dealing with lawful money are still intact (gold and silver coin) the federal reserve, in ignoring these laws is also violating statutes.

"No state shall . . . pass any law . . . impairing the obligation of contract." By compelling the states to use irredeemable paper as a tender in payment of debts, Congress thereby causes the states to impair the obligation of contracts to the extent of billions of dollars each year. This can be seen by noting the effect which inflation has upon people. According to the Statistical Abstract of 1980 there was at the end of 1979 \$3,222 Billion of Life Insurance in force. Assuming an annual inflation rate of just 10%, holders of policies are systematically robbed each year of over \$322 Billion. The combined CPI for the past five years totaled 48.6% inflation (1977, 6.5%; 1978, 7.7%; 1979, 11.3%, 1980, 14.4%; 1981, 8.7%). Life insurance in force averaged approximately \$3,024 Billion per year. 48.6% X \$3,024 Billion = \$1,469 Billion, or nearly \$1.5 Trillion impairment of insurance in force. Holders of the national debt would be robbed of over \$100 Billion at just 10% inflation annually. This is not to mention the loss being suffered by old age pensions, retired people, people with bonds, savings accounts, and holders of mortgages, etc. The states, by ignoring their constitutional charge are guilty of participating with the federal reserve in impairing contracts, violating citizens civil and property rights, all without due process of law for the citizens. Why then do governments leave good money and go to bad? One reason is that it enables them to effectively eliminate (assuming a 10% inflation rate) 10% of their obligations annually and to pay off long term bonds with severly devalued dollars, except as offset by excessive interest.

The purpose of the Constitution provisions is to protect the right of private property including contract rights, not to impair them.

The Grand Jury finds that--

The founding fathers interpreted the Constitution as requiring the use of gold and silver coin as the only legal tender which could be used in the nation.

It is a fact that for the first seventy years of its existence, the nation was on a silver and gold standard. This is all the evidence one would ever need as to the type of monetary system intended for this nation by those who drafted and adopted the United States Constitution. It was not until the great crisis brought on by the Civil War that the North, in an attempt to provide additional financing, for the first time issued "bills of Credit" and made them a tender in payment of debts.

An irredeemable currency is directly contrary to the spirit of the Constitution which was designed to protect contract rights. There is a specific provision contained in the Constitution which says: "No state shall . . . pass any law . . . impairing the obligation of contract." This same law should apply to the federal government. By printing worthless currency and compelling state courts to use it as a legal tender in payment of debts, it forces them to disobey the prohibition. Recognizing the danger of allowing state governments to pass laws destroying contract rights and also desiring that states should act honorable, this prohibition was adopted. Morally and legally, it is equally applicable to the Federal.

If this matter was so plain to those who drafted the Constitution, how did it happen that we use neither gold nor silver today but only an irredeemable paper and a debased coinage? The answer is found in the fact that when a nation gets into serious trouble, those in government tend to ignore the restraints of the Constitution, and the people, under the stress of the times tend to permit it.

Thus it happened that in the desperate days of the Civil War, a sorely beset Congress first authorized the issue of paper money by the Federal Government. The term "greenbacks" was used to describe this issue and they were made a legal tender in payment of debts both public and private. Of course the constitutionality of this act was tested in the United States Supreme Court which held in a five to three decision that paper money was unconstitutional.

This victory for sound money did not last long however because shortly thereafter when the personnel of the Court had been changed by the addition of two new members, another case involving essentially the same issue was brought before it, and this time in a five to four majority reversed the prior decision. It is a matter for reflection that the decision of a single Court Justice can affect the destiny of an entire nation.

Eventually the issue of greenbacks was redeemed in gold and silver coin as was always intended, and the nation returned to a hard money system which continued until the money manipulation policies of the federal reserve created the Great Depression. It was during the agony of that crisis that government once again ignored the Constitution, and a confused and distraught nation failed to restrain them. A prior Congress passed an administration measure under which the use by citizens of gold as money was made a criminal offense, the gold of the citizens was confiscated and paper was issued it its place. The private federal reserve banks in 1934 issued to themselves the only gold redeemable certificates - laying claim to the gold just taken from the citizens. Once more the matter came before a prior Supreme Court--and once more in another 5 to 4 decision the Court upheld Congress. This opened the door to an unlimited issue of paper money for the citizens which has continued ever since.

The change in our national fiscal affairs since the hard money system was abandoned to the federal reserve is reflected in the following approximated figures:

	1933 [a]	1982
National Debt	$ 27 Billion	$ 1,000 Billion
Annual National Budget	$ 5 Billion	$ 750 Billion

The Grand Jury Finds--

Why it is so important that we use the precious metals rather than paper for money. The virtue of gold and silver is that governments or private credit monopolies cannot destroy citizens contract rights.

Gold and silver are perfectly suited to serve as money. Being largely impervious to decay, their value is not destroyed by the passage of time. Also they are probably the most versatile of all metals and this intrinsic worth together with their natural beauty has preserved their value in every nation and in every age. Every civilization has found them desirable and sought after them and it is this fact which makes them more stable than any other standard of value. Governments and private credit monopolies cannot manipulate nor corrupt this standard without such coming to the immediate attention of the people--and it has. Gold and silver have very distinctive physical characteristics which makes it relatively easy to observe a reduction in the weight or size of coins.

One ofttimes hears it said that there is not enough gold in the world to serve our monetary needs today--that the demand for money has grown so enormously since the Constitution was adopted that the monetary system it provided for will no longer suffice. The first answer to this argument is that the Constitution does not provide for a gold standard, but for a standard of gold and silver. Both metals were decreed as legal tender.

A second answer to the shortage argument is that it is utterly wrong to assume that we need a stock of gold and silver equal to the amount of money in circulation. We need only a small fraction of that amount. The truth of this fact can be seen by noting that the size of our gold stocks when we were on the gold standard between 1900 and 1933 was generally less than 10% [b] of the total money and bank deposits. The reason why such a relatively small amount of the precious metals will suffice is easily seen.

Imagine, if you can, everyone who has a claim for money simultaneously demanding that his debtor pay in gold and silver coin. Such a situation is unthinkable, especially when it is realized that we are all debtor and creditors at the same time. The great majority of us cannot afford to invest in the precious metals. When we have a claim for money we want to turn that claim into food, clothing, services, etc. as soon as possible without going through the cumbersome and useless process of converting it into gold and silver first.

But the scarcity argument is seen in its most ridiculous light when it is remembered that it is this very scarcity which makes it possible to use gold and silver as an unchanging standard of value. If they were to become as plentiful as, say paper, they could not possibly retain their value in the eyes of the people. It is the very fact that they are scarce together with the fact that they have intrinsic worth, which preserves their value from generation to generation.

On the other hand, paper has none of the characteristics needed as a standard of value because it has no intrinsic worth. This is not to say we should not use paper as a medium of exchange to represent a claim for money. Paper is certainly convenient to use for transferring claims to gold and silver and there is nothing against using it for this purpose. Common sense dictates that we do so. There is no danger in using paper as a claim or an evidence of ownership of something of value. The great danger--and indeed the terrible harm--comes from making it irredeemable--in asserting that the paper has value rather than that it represents a claim for some commodity which has value.

The Grand Jury Finds that--

Irredeemable paper money is the fundamental cause of inflation, that this irredeemability is a violation of statutes dealing with lawful money and the money of account of the U.S. The federal reserve itself continued to publicly show its recognition of these statutes into the late 1960's by printing on its notes we used as money that they were redeemable in lawful money. Statutes and the Constitution did not change, only their printing the recognition of their still existing obligation to redeem in lawful money changed.

COUNT I

The Grand Jury Charges that:

By issuing and circulating irredeemable paper as legal tender in payment of debts the Federal Reserve Bank in this district, in concert with other Federal Reserve Banks under authority of a prior congress is compelling the states to violate that provision of the Constitution which forbids them to make "anything but gold and silver coin a tender in payment of debts."

COUNT II

The Grand Jury Charges that:

By issuing and circulating irredeemable paper money as a legal tender in payment of debts, the Federal Reserve Bank in this district, in concert with other Federal Reserve Banks is causing the states to violate that provision of the Constitution which forbids them to impair the obligations of contract.

COUNT III

The Grand Jury Charges that:

By issuing and circulating irredeemable paper as legal tender in payment of debts the Federal Reserve Bank in this district, in concert with other Federal Reserve Banks under authority of a prior congress is using something other than what the Constitution allows.

COUNT IV

The Grand Jury Charges that:

In 1980 the FRB in this district in concert with agents and employees of other Federal Reserve banks did issue and put in circulation Federal Reserve notes in an amount in excess of $1,025,547,000 from the branch of the Federal Reserve Bank of San Francisco, some of which were also issued and put in circulation through the Salt Lake City Branch; and provisions of 12 U.S.C. 411 require that the said notes shall be obligations of the United States and shall be receivable by all national banks and member banks and Federal Reserve banks and for all taxes, customs, and other public dues, and they shall be redeemed in lawful money of the United States, in the city of Washington, District of Columbia, or at any Federal Reserve Bank, and as defined at 12 U.S.C. 152, the terms "lawful money" and "lawful money of the United States" shall be construed to mean gold or silver coin of the United States, and 18 U.S.C. 334, crimes and criminal procedure requires that whoever, being a Federal Reserve Agent, or an agent or employee of such Federal Reserve Agent, or of the Board of Governors of the Federal Reserve System, issues or puts in circulation any Federal Reserve notes, without complying with or in violation of the provisions of law regulating the issuance and circulation of Federal Reserve notes shall be fined not more than $5,000 or imprisioned not more than five years or both, and the defendants being members of the Board of Governors of the Federal Reserve System, or agents or employees thereof, did issue and put in circulation Federal Reserve notes without complying with and in violation of the provisions of 12 U.S.C. 411, and that such Federal Reserve notes are not obligations of the United States as required at 12 U.S.C. 411 and as defined at 18 U.S.C. 8, and that such notes were issued and were not redeemed, are not now being redeemed nor can they be redeemed in lawful money of the United States which is defined in 12 U.S.C. 152 as gold and silver coin of the United States as required in 12 U.S.C. 411, and therefore the said notes were issued and put in circulation in violation of 18 U.S.C. 334.

(a) Gold and Prices, George F. Warren & Frank A. Person, John Wesley & Sons (1935). Page 138.

(b) Statistical Abstract of the U.S. (1937). Pages 163 & 200.

(c) Board of Governors, Directors of Federal Reserve & Members of the Open Market Committee.

A TRUE BILL:

Foreman of the Grand Jury

U.S. ATTORNEY