

## Banking by John Hoefle

### Gonzalez takes on the Fed

*The chairman of the House Banking Committee wants to put the Federal Reserve back under the Constitution.*

**T**he crucial battle to restore U.S. sovereignty by abolishing the treasonous Federal Reserve System and replacing it with a Hamiltonian central bank controlled by the U.S. Congress, is gaining momentum, thanks to a series of anti-Fed demonstrations around the country, and the work of Rep. Henry B. Gonzalez (D-Tex.), the chairman of the House Banking Committee. Gonzalez has scheduled four hearings on the issue, on Oct. 7, 13, 19, and 27.

Gonzalez also sent a letter to President Bill Clinton, calling on Clinton to support amending the Federal Reserve Act of 1913, to make the Fed more accountable to the government and the people.

That the Fed is not accountable is no accident. The Federal Reserve Act of 1913, the child of Paul Warburg, J.P. Morgan, and other top international bankers, was specifically designed to give the bankers control over U.S. credit and monetary policy, in direct defiance of the Constitution and national sovereignty. Like the current North American Free Trade Agreement (NAFTA) financial accords, the Federal Reserve Act was negotiated by bankers in secret meetings (see last week's *EIR*).

Clinton responded to Gonzalez's letter Sept. 20, saying that "on balance," he is "disinclined to seek a change at this juncture."

"There are several reasons," Clinton said. "Perhaps the main one is a general feeling that the system is functioning well and does not need an overhaul just now. . . . Changing the way [Fed] bank presidents are elected

at this time runs the risk of undermining market confidence in the Fed."

In capitulating to the bankers and the markets, Clinton demonstrated, at best, an abysmal understanding of the Constitution and the philosophies upon which it is based, and at worst, the sort of cowardice which has permitted the principles of our nation to be sacrificed before the altar of greed.

Having submitted to the dictates of the bankers, however, the diplomatic Clinton did allow that Gonzalez's idea "has merit. There is no doubt about it," and that the criticism of the selection process is "a valid point about legitimacy and representation, and I shall keep it in mind."

That will no doubt be of great comfort to the millions of people whose lives are being destroyed by the bankers and their speculative markets, in the attempt to keep the bubble going a while longer.

Gonzalez's latest move against the Fed began on Jan. 5, when he submitted a bill entitled the Federal Reserve System Accountability Act, designed to strengthen government control over the Fed. The bill outlines a series of measures, including requiring presidential nomination and Senate confirmation of the presidents of the regional Federal Reserve Banks; forcing the Fed to adhere to the Civil Rights Act of 1964; requiring the Fed's Federal Open Market Committee to videotape its meetings and release the footage to the public after 60 days; making the Fed subject to the Freedom of Information Act; making the Fed's SWAP fund for international currency transactions subject to congressional budgetary au-

thority; and ordering the General Accounting Office to perform regular audits of the Fed.

That Gonzalez understands the importance of the issue was made clear in a speech delivered Jan. 25. The Fed is not a government agency, Gonzalez warned, "it is a creature of the commercial banks which compose it. And it has gotten so almighty powerful that the Congress that created it, has no control over it. . . . The commercial banks are the ones who control and dictate the policies of the Federal Reserve Board."

Gonzalez contrasted the bank-owned-and-run Fed with the "Constitution and the formulation of the Bank of the United States, where Alexander Hamilton did brilliant work. He took a government that said, 'We will assume the debts of the States in the Revolutionary War,' and had no money. He worked out a beautiful system that did work."

"Then," Gonzalez continued, "we got away from it, not in the way that is described by the people who would like to blame profligacy or the welfare state, but by the very people that are not content with being the most privileged and powerful individuals in our society. For a banker creates money. He creates credit, and that was the issue from the very first. Who is going to control the allocation of credit in our society? That is the whole question, the long and the short of it."

While Gonzalez leads the fight on Capitol Hill, the LaRouche movement and others are taking to the streets to demand a return to Hamiltonian banking. On Sept. 29, LaRouche associates held anti-Fed rallies at Federal Reserve Bank offices in Baltimore, Chicago, Houston, Philadelphia, Pittsburgh, New York City, Seattle, and Washington, D.C., and attended another anti-Fed rally held on the steps of the Capitol.