

The Federal Reserve System - Public or Private?

The discussions regarding the public or private nature of the Federal Reserve System (FED) have been long and unresolved. I propose to bring this overdue topic to an end. Is the FED public or private? Let's have a look, shall we?

Some folks have gone so far as to say that "the Federal Reserve System is not "owned" by anyone". To say that the FED is not "owned" by anyone is absolutely ridiculous. Every business, and the FED is a business, is absolutely owned by someone or something. Read on for the who and the how.

Others have said "that the Board of Governors (BOG) in Washington, D.C., is an agency of the federal government". The BOG has seven members that are appointed by the President and confirmed by the Senate. The members can serve on the Board for up to 14 years, which is six years longer than any President can serve. The BOG appoints the presidents of the 12 regional banks. A key point is that the BOG is not funded by any federal, state or local government. What federal agency receives no federal funding? None. The BOG also makes public all the annual independently audited financial statements for each of the 12 regional banks and the BOG itself. What federal agency has its own annual independently audited financial statements? None. Yes, you can find them on the web.

In addition, though Congress may set the goals for monetary policy, decisions of the BOG, and its monetary policy-setting body, the Federal Open Market Committee, about how to reach those goals do not require approval by the President or anyone else in the executive, legislative and or judicial branches of government. What federal agency is this free from any control and oversight? None.

The Federal Reserve Act of 1913 (FRA 1913) was signed into Law on December 23, 1913, by then president, Woodrow Wilson. The Federal Reserve Bank of New York (FRBNY) was the first of the 12 regional banks to go operational. On May 18, 1914, the FRBNY was incorporated, on October 05, 1914, the FRBNY held its first board meeting, and on November 16, 1914, the FRBNY opened its doors for business.

The 12 FED banks are in Atlanta, Boston, Chicago, Cleveland, Dallas, Kansas City, Minneapolis, New York, Philadelphia, Richmond, San Francisco and St. Louis. Except for New York, all the other 11 Fed Banks have at least 1 branch. San Francisco's branch is in Los Angeles.

What other conditions, you ask, might indicate that the FED just maybe Private? Each FED Bank has its own president, vice president, board of directors and employees. What federal agency has these operational positions? None.

Each FED bank is an independent, privately owned and run-for-profit corporation. I say run-for-profit because each member bank within a FED bank's region is a stockholder and receives up to a 6% annual dividend based on their capital

invested. Which means, the stockholders of each FED bank get an annual dividend. Sounds for profit to me. See FRA 1913, Section 7, Division of Earnings, Clause 1.

Each FED bank's shares of stock are owned by its member banks, not the public or any government and the shares of stock are never publicly traded.

The FED banks are self-funded and do not receive any funding from any government. What federal agency is self funded? None

According to the FRA 1913, Section 7, Clause 3, each FED Bank is exempt from Federal, State and local taxation, except taxes upon real estate. Which means, all FED banks are subject to state property tax laws. What federal agency pays state property tax? None. The upside for all the FED banks is they are the only private for-profit corporations in America that are not required to pay income tax.

Substantially all employees of the FED and BOG are covered by a private retirement plan. How many public employees are covered by a private retirement plan? None.

There is a federal circuit court case that describe the FED as being private. **“The regional Federal Reserve banks are not government agencies. ...but are independent, privately owned and locally controlled corporations.”** Lewis vs. United States, 680F. 2d 1239 9th Circuit 1982. Maybe the 12 FED banks and the System they belong to are actually private and not public.

A private corporation, which each FED bank is, primarily operates for the benefit of its stockholders and officers. In the general world of business, this is understandable and acceptable, to a point. This tells me the monetary system is not owned & operated for the benefit of We The People. No, it is owned and operated for the benefit of we the owners of the FED, we the stockholders, we the banks.

Each FED bank's net earnings are sent to the U.S. Treasury as a *Franchise Tax*. According to FRA 1913, Section 7, Clause 1, “all earnings shall be paid to the United States as a franchise tax, except that one-half of such net earning shall be paid into a surplus fund until it shall amount to forty per centum of the paid-in capital stock of such bank”.

What public agency or entity has net earnings? None. But all the FED banks do. Typically, a franchise tax is a state tax levied on certain businesses for the right to exist as a legal entity and to do business within a particular jurisdiction. In this case, the franchise tax is paid to the federal government for the right to exist and do business within the United States. What federal, state or local government agency pays a franchise tax to the U.S. Treasury? None.

Looking back, the U.S. Constitution was signed on September 17, 1787 and was officially ratified on June 21, 1788. Pursuant to Article 1, Section 8, Clause 5 of the U.S. Constitution, Congress was given the power to coin money and regulate its value.

The power to create money was intended, by our founders, to be in the hands of our federal legislature and not a group of private for-profit banks. In 1913, Congress willfully ignored the wisdom of the U.S. Constitution, the lessons learned by the founders and from this country's more recent history, and delegated its responsibility regarding the creation and management of the country's monetary system to the FED. The FED was created to be our Central Bank. What's next? Maybe Congress will decide its time to delegate its authority to declare war to some private for-profit corporation.

The FED monetary system has given us inflation, massive federal government income taxation and an absolutely unpayable national debt, now at over \$31.5 Trillion. The FED is an unstable and unsustainable banking system that can not last and as a direct result of its operation, it subjugates the end users of the system, We The People, to its debt service slavery.

The Take Away - The FED is a group of 12, private corporations, run for the sole benefit of its stockholders, which are themselves privately owned, run-for-profit banks. The FED is a "regulator" that is owned and controlled by the entities and people it is intended to regulate. That is to say, the regulator is owned and controlled by the regulatees. Therefore, the short answer still is, Private.

Listen to the words of those that came before. "There are two ways to conquer and enslave a nation. One is by the sword. The other is by debt." - John Adams 1826. As Winston Churchill once said, "Americans can always be counted on to do the right thing ... After they have exhausted all other possibilities." Lets not make Mr. Churchill right, because the longer we wait, the longer we do it at our own peril.