

Abe Lincoln's Financial Policies - Turning to History to End the Debt and Deficit

April 6, 2011 - If you have watched any news over the past few weeks, you know that Congress and the White House are embroiled in a bitter battle over spending cuts. The Republican run House of Representatives is pushing hard to reduce the deficit - the difference between what the country spends and what it takes in in tax revenue. You may also know that sometime next month, the federal government will hit the legally permissible debt ceiling - the amount of money that the federal government can borrow. That legal limit is currently set at \$14.4 Trillion. What you may not know is that Congress has the power to eliminate both the deficit and the debt in one fell swoop. It is a tool that Abe Lincoln used to fund the civil war, and it sent shock waves through the largest American and European banks. It's time for Congress to take a page out of that portion of history and solve our country's financial problems for good.

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The United States has been battling over the way US currency is created since the republic was founded. There was the First Bank of the United States, which was a private bank chartered in 1791 by Congress for a 20 year period. When the charter expired, both Congress and the people of the United States realized that the bank had become too powerful so the charter was not renewed.

In 1816, Congress chartered the Second Bank of the United States; again for 20 years. As before, this was a private bank and, at the end of the charter period, Congress let the charter expire; once again because it had become too powerful.

The problem with having private banks in charge of our currency is that instead of Congress creating debt free currency and placing into circulation, private banks lend their money to the government and charge interest. And, what you may not know is that even today this is the system we use. That's because the FED - also known as the Federal Reserve - is not owned by the government at all. It is owned by private banks that lend the government money, which they legally create out of thin air with the blessing of Congress. That money is then loaned to the federal government and taxpayers are forced to pay interest on it.

Abe Lincoln's Dilemma and Solution

In 1861, with the beginning of the Civil War, Lincoln needed to find a way to fund the war. Even though the Second Bank of the United States was no longer around, when the government needed more money than it could raise through taxes, it borrowed that money from private banks.

Lincoln approached the major banks in New York. These banks were willing to loan the government money but all of them believed that there was a significant risk that the Union could lose the war and that the money might not be paid

back. As a result, they wanted to charge the United States Government interest rates in excess of 30%. This was unacceptable to the President.

Lincoln placed Colonel Dick Taylor in charge of finding a solution to the problem. Taylor's solution was ingeniously simple. He said, "Just get Congress to pass a bill authorizing the printing of full legal tender treasury notes... and pay your soldiers with them and go ahead and win your war with them also."

Lincoln went to Congress and the American Greenback was born. The bills issued under this law were printed with green ink on the back to distinguish them from other currency. These bills were legal tender, and they were issued without incurring any debt at all. The vast majority of the Civil War was financed this way, and at the end of the war, taxpayers had no debt to repay. In fact, it should be pointed out that there was absolutely no income tax in the United States at that time.

The Banker's Response

While Lincoln's policies were good for the United States in general, and for taxpayers specifically, they scared the banks to death. Lincoln actually considered adopting the Greenback as the way to issue all US currency.

At the time, many of the world's largest banks were headquartered in Europe. And an editorial that appeared in the London Times during that period pretty well laid out their position. It read, in part, "If this mischievous financial policy, which has its origin in North America, shall become endured down to a fixture, then that Government will furnish its own money without cost. It will pay off debts and be without debt. It will have all the money necessary to carry on its commerce. It will become prosperous without precedent in the history of the world. The brains, and wealth of all countries will go to North America. That country must be destroyed or it will destroy every monarchy on the globe."

Bankers around the globe fought hard to prevent Lincoln's plan. He had managed to issue \$450 Million in Greenbacks to fund the war. Near the end, he needed a little more money. Influenced by the bankers, Congress refused to allow him to issue more Greenbacks. Instead, it passed the National Bank Act. Since then, almost all US currency has been created by private bank purchases of US Treasury Bonds. In other words, all currency issued now obligates taxpayers to debt.

Lincoln had planned to push for a repeal of the National Bank Act but he was assassinated before he had time to act.

The FED and its History

As previously stated, the FED is privately owned by banks. Which banks? Nobody is actually sure because the FED doesn't release that information.

It operates in a relationship with the federal government that is unholy at best, and defrauds the American people.

To understand what the FED is, you need to understand how it actually came to be.

The FED was actually not thought up or proposed by the government at all. It was formed, and the Federal Reserve Act was written, by the Rothschilds, the Warburgs, John D. Rockefeller and JP Morgan. These four families, which controlled one quarter of all of the money on the globe at the time, came together in 1907 to write the law that would lead to the FED.

These families were all competitors, but they came together with five objectives in mind. They wanted to reduce competition from new entrants to banking, be franchised by the government to create currency, gain control of all banking reserves, shift their losses to taxpayers and finally, convince Congress that the law they had written would actually protect taxpayers. Within six years, they succeeded and in 1913 the FED was born when Woodrow Wilson signed it into law.

By design, the FED looks and acts a lot like a government agency. In fact, if you listen to the news, even the media

portrays it as such. After all, the chairman of the FED is appointed by the President and approved by Congress. At least, that is how it appears.

In actuality, the FED provides a list of potential candidates to the President, which he can select from. He has no power to choose anyone not on that list. After making his "choice", he sends his "nominee" to the Senate, which dutifully grants approval. The fact is, the FED is choosing its own chairman and the public is being duped.

How the FED Impacts You Today

To give you an idea of how the FED actually negatively impacts all of us, we need only to look at the financial crisis which started in 2008.

As you probably already know, the government agreed to bail out a number of large "financial institutions". And the chairman of the FED was in the room for most of those decisions.

The way that the bailouts actually worked was frightening. The FED, which has the power to create new money, simply added a few zeros to the account balances of the banks it was bailing out. It is the only organization in the country which can legally do this.

Those new "zeros" need to be backed up by the government. This was done with sales of US Treasury bonds; obligating taxpayers to pay interest. Now, just think about this.

The FED, which is owned by the banks, was able to create new money and give it to the banks which own it, while obligating taxpayers to pay for the bailout. It's a ponzi scheme with the FED and its major bank owners at the top, the federal government in the middle, and taxpayers at the very bottom of the pyramid. And we all know that anyone who gets involved in a ponzi scheme and who stays at the bottom of the pyramid eventually gets wiped out. But there is no reason to get wiped out.

Lincoln's Plan in Today's World

There is absolutely no reason that Lincoln's Greenbacks couldn't be issued by our current Congress. Congress would have to eliminate the FED through an orderly wind down; eliminating the organizations ability to create new currency and shifting that burden back to Congress where it constitutionally belongs.

To be sure, there would be risks associated with a new system of Greenbacks. Congress would need to put a mechanism into place that would take over many of the FED's responsibilities. Specifically, there would need to be an appointed but independent board of economists that would need to have some control over the money supply and interest rates. Very simply, this would be needed since most members of Congress are not economists. At the very least, they would need an independent advisory board to prevent the printing of too much money - causing inflation - or the withdrawal of too much money - causing deflation. Both of these economic conditions can cause major long-term problems.

The upsides to reestablishing the Greenback would be many.

Using debt free currency would eliminate any future debt for taxpayers. It would also allow the government to pay off its current debts at an accelerated rate. This could eventually lead to the elimination of Treasury bonds too.

Going forward, the government would no longer incur deficits either. New money would be placed in circulation to cover budgetary costs. If those costs were so high that the government needed to print a lot of currency, there would be inflation. This is something that voters would have to monitor; throwing out those in Congress or the White House that spend so much that their currency is seriously devalued. It is also another reason for Congress to consider an independent controlling board for money supply and interest rates.

The implementation of a Greenback mechanism would also allow for the elimination of the IRS. Since the Congress would be in charge of the money supply, there would be no need to collect taxes. Instead, Congress could plan on adding additional currency at a pre-determined rate. This would be a planned inflation of sorts and would replace income taxes altogether. Just think of the countless hours of tax preparation and worrying that would simply vanish! And just think about how compelling it would be for businesses based in other countries to move here. It could make the United States the job creation capital of the world.

Conclusion

Bringing back the Greenback is something that Rep. Paul Ryan and Congress should seriously look at as a way to end both the deficit and the debt. It worked for Lincoln, and in fact a similar mechanism also worked in the Roman Empire for hundreds of years.

For the naysayers, it should be pointed out that we all use some form of non-debt created currency even today. All of the coins created by the US Mint are made and put into circulation by the US Treasury. It is the one form of currency that we still have for which taxpayers have no long term debts.

Additional References

For those interested in learning more about this; the following references are provided:

The Creature from Jekyll Island by G. W. Griffin (Fifth Edition - 2010)

Abraham Lincoln by Emil Ludwid (1930)

Abraham Lincoln. Senate document 23, Page 91. 1865.

The Secret of OZ (Movie - 2010)

by Jim Malmberg

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