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AND THAT IS BANKING

You might be interested to know something about banking and money that bankers and governments don't know: BASICS!

These are very simple basics. They are also very, very O________L________D basics.

Money can be said to be a lot of things. It can be said to be an idea backed by confidence. It can be said to be a system of exchange. It can be said to be something easier to carry around than a side of beef or a bushel of wheat. Money can be said to be a lot of other things.

But from the viewpoint of a banker and solid facts, you get the basic law of banking and the basic definition of banking and money.

MONEY IS A NEGOTIABLE RECEIPT FOR DEPOSITED GOODS.

In order to understand this, you have to understand the original function and practices of (surprise!) goldsmiths! You see, goldsmiths simply used gold as a commodity. It went like this:

The goldsmith took in a commodity of one unit of gold. He gave a receipt to the person who gave him the gold. He did this several times. He then had, let us say, six receipts -- six guys had given him gold to hold and he gave them each a receipt. These six guys could then use those receipts as currency since it was gold on deposit with the goldsmith. This is a one to one basis. One receipt given out for one unit of gold taken in.

Now the goldsmith, because he assumed and hoped that all six guys wouldn't want their gold all at the same time, could then issue additional receipts against the gold -- against the same gold for which he issued the first six receipts. So he would issue receipts on, let's say a three to one basis -- he issued three receipts for every one unit of gold he had on deposit. These receipts were trusted because people knew he had gold on deposit.

So you see the goldsmith issued more receipts than he had gold on deposit. He could then loan out these receipts (currency) that he had created. People "borrowed money" from him by obtaining one of these receipts and now they would owe him what they borrowed plus interest. AND NOW THE GOLDSMITH WAS INTO BANKING. IT WAS THAT STEP THAT PUT HIM INTO BANKING. You see, there were other things this goldsmith could do. He could issue receipts and buy property or keep his business running or something. But the moment he issued and handed out a receipt to people who used that for currency, why he was now into banking.

And that is banking.

Now you can do the same thing with commodities. You have a warehouse and you're into banking. If everybody puts his commodity in the warehouse and the banker issues a receipt for it, he can now issue on a three to one basis, as the goldsmith did, or twelve to one, which is getting pretty risky but they did that. But, you see, he can do the same thing with commodities. I don't care if they're shoes or whatever. Now, because he's got shoes (and other things) in the warehouse, he can issue general receipts against these goods on a basis of one to one, which is just the depositors, on up to twelve to one.

And he can take those receipts and he can issue them to a manufacturer who can then buy with those receipts the equipment necessary to set up his plant. But everything the manufacturer makes is a commodity deposit. The manufacturer makes something and now he has a commodity deposit. When you realize that the banker is not taking in all this commodity, you realize it starts sitting all over the place in all kinds of different warehouses and so forth. But it is consigned to the bank. It belongs to the bank. It backs up the receipts. The guy who the banker loans the money to just out of the blue sky doesn't have any commodity there. The banker loaned out money (a commodity receipt) to a guy without any commodity. Well, that guy has got to put a commodity there. And this is the basis of banking. If that guy now doesn't manufacture commodity, the banker is out of luck. In other words, he doesn't produce the commodity he's loaned money to produce. The banker now only has the plant.

So now we're off into the banker loaning against the plant. We've extended it from the deposited goods to what makes the goods.

And that is banking. And that's all there is to banking.

And that's why you see bankers favoring short-term loans. They're not interested really in a real estate loan. That's a secondary stage. They're interested in the cars sitting on the lot at Chrysler.

I noticed that when a European automaker recently went to blazes, a fleet of their cars turned up as being sold to a bank in America, after that company went defunct. In other words, their manufactured cars became, just as Chrysler's would become, the property of the bank.

Now what is inflation? INFLATION IS DETERMINED BY THE RATIO BETWEEN THE DEPOSITED GOODS AND THE NUMBER OF RECEIPTS ISSUED. This present society has got it up to several thousand to one. In banking, I would never go above three to one. That is sound banking.

All right. Let's recapitulate. We started by issuing receipts for deposited goods. Then we extended it to what makes the goods. And we're going to issue receipts on a safe, intelligent basis -- a three to one basis, for example. All right. This is sound banking.

But these current "bank"ers extend it out on whether or not they think the guy's credit is any good. They extend it out on to whether or not he's going to issue stocks or shares of his own. (His own issued "receipts".) And then they're going to keep those as security and, honest to Pete, you're now up here in froth. That is strictly froth. This whole current banking system is in froth. Even the American Federal Reserve. They write down a figure in a little book and tell the US Government that it can now print that much money. (You may think I'm kidding -- I assure you, I'm not.) To back that money, the Federal Reserve issues Federal Reserve Stock, called Federal Reserve Bonds and so forth, which is bought by the public. Just recently, two "issues" have gone out on the same transaction which was based on nothing to begin with.

In other words, they don't just issue a hundred million dollars in currency. They issue a hundred million in currency <u>and</u> a hundred million in bonds. So regardless of their computations, they have not really issued a hundred million, they have really issued <u>two</u> hundred million, which doubles instantly the amount of paper in the society on the same transaction. Result: more inflation.

Hold on, it gets crazier.

Of this transaction, only half of it is covered by interest -- only the bonds. So they feel they're getting only half the interest because the total issue of paper was two hundred million, and they're only drawing interest on the bonds, one hundred million. So, "of course" they have to get twice as much interest on the bonds. And there shoots up the interest rates and now money becomes too expensive to borrow in order to manufacture something and there goes your new and future commodities and eventually there goes your society.

And (currently) that is banking, (unfortunately).

But don't you be confused. It is really very, very simple. For instance, if you can get the idea that you would take all of your household goods and give them to a bank and they would put them in their basement and then they would give you a receipt for the household goods and then you could give that receipt to somebody else for some negotiated action -- you wanted something they had or would do for you --, why, then you'd understand banking.

And if you can get the idea that that other person that you gave your receipt to could then go claim those household goods if he chose to, then you'd understand banking.

And if you can get the idea that that other person might not (probably wouldn't) go claim those household goods, but instead that he might transfer the receipt that you gave him (that you got from the bank) to somebody else for something that he wanted, then you'd understand banking.

And if you can get the idea that even though this other fellow didn't take your receipt and go claim the household goods, that the receipt does, in fact, represent that item of household goods that it is for and that those receipts are backed up by those household goods, why then you'd understand banking.

And now we go a bit further and if you can get the idea that we don't bother to put those household goods in the bank's basement -- we leave them in your home -- but that in essence you have sold them to the bank for the receipt they gave you (and this is what is known as collateral), then you'd understand banking.

And now we go way upstairs and if you can get the idea that the bank would print up and issue receipts on a greater than a one to one basis (three to one or six to one, for example), and then loan these receipts to someone so that he could exchange them for manufacturing equipment, for example, and produce a commodity and that then these receipts that had been issued to the manufacturer were now, in fact, backed up by goods, then you would understand banking, REAL banking. And you would understand that banking, real banking, can all by itself, increase production. And lo and behold, THAT WAS THE ORIGINAL PURPOSE OF BANKING!

And that is banking. That's all there is to it. That's the basics. That's it!

You see, violations of these basics are what got the current bankers and governments in their present predicaments. Oh sure, they have this plan and they have that plan. But let me point out to you that they had those plans last year and the year before that and that their own economic troubles, budget deficits, etc., last year were not as bad as this year! So maybe there's something a little wrong with their plans. Well, yes, there is a lot wrong with their "plans" -- their basics are out.

As a banker you can stretch that three to one, like the goldsmith did, to five to one, or twelve to one. But when you get up to astro-ratios like these current bankers, boy are you in trouble. You can get a run on a bank. A run on a bank is when all the guys who hold receipts suddenly believe the goldsmith is about to blow or leave town so they all go in and ask for their gold at the same time. Well now, of course, he can't pay it out because he is not holding that much commodity. So if he had issued receipts on a twelve to one basis, NOW his receipts are worth 1/12 (one twelfth) what they had been worth, just like that.

Anyone who can recall back to the 1930's will tell you.... "and that was banking!"

These basics would be known by the Wizards of Wall Street, you would think, but maybe not. They certainly are not known to London's Parliament. They might say, "Yes that's interesting, but we do things differently now.....sort of inapplicable....." Well, I notice that inflation, loss of purchasing power, economic chaos, etc., isn't being created any differently. They manage to keep these actions going at a high roar. So maybe these basics ARE applicable! OH, YES, they are applicable all right -- you can bet your house, car, job and future on them.

All right, we had the goldsmith, then we had the banker who issued receipts for deposited goods. Now, we've got a new factor -- the governments produce nothing really and yet they print money. What backs it up? NOTHING! Governments never do produce anything to go into the depository that then backs up the receipts (currency) and that they then can pay back.

So you wonder why there is inflation? Well, it is just the ratio of the amount of money against the goods.

I've already told you that there is a limit on the issuing rate in banking. Anybody that is going for a twelve to one ratio (twelve receipts for one unit of goods) has got his neck stuck out. It is going to cost more money for a commodity because there is more money around than commodities.

All right, keeping this in mind look at your tax collector. When they start going up to certain percentages that penalize the company (and worker) and give it an unmanageable burden, and thereby make it difficult to service the machinery, make it difficult to introduce new tools and equipment for a new product, etc., why, the tax man starts putting businesses out of business. They've been doing that in America and are nearly finished with the job in England. When a company folds that produces shoes, let us say, there is then going to be less shoes on the market and therefore the shoes that remain are going to cost more, again for the same reason as in the previous paragraph -- there is more money around than commodities.

Ideally, a company should work itself out of debt, not into it. But because of suppressive, penalizing tax percentages and bank interest rates, a company works itself into debt so one could say that the tax collector is in collusion with the banker in these sectors. This brings about inflation because it is an unproductive 25 or 50 percent of the price of goods. The government is not furnishing anything to account for that. So this now goes back into the banking aspect because the company or the individual can never accumulate enough money to buy new machines, so the banker has to continuously loan him money to enable him to get his new machinery. But then that's got interest on it so the tax collector.......... You see? The guy can never get enough money to buy a new plant, he'd never make enough money. He's either got to get his new plant or his replacement machinery and so forth, either from the bank or just not do it at all with the tax collector.

There is another twist to this. What do governments (and sometimes even banks) do with these tax collections and other pounds of flesh gouged from the carcasses of people trying to get on with their jobs? They hand them out as "foreign aid", the dole, welfare and other activities designed to degrade and subjugate people and kill any initiative and production that might otherwise occur. And the cold, hard, naked truth is that "Downstats" don't produce deposited goods.

All of that gets added to the price of commodity and that is what inflation is.

Simple. So simple. It's too simple for these idiots not to be able to con everybody in the society into believing that it's very complex. But they don't want the public to understand this because they've got a racket going and they know it's a racket.

They are a goldsmith with a 2000 to 1 receipts to goods ratio and it simply doesn't happen to matter what theory or explanation they dream of. The facts remain. Period.

And so do the basics remain. And these basics are very, very much for use by FBOs. FBOs are, after all, <u>banking</u> officers.

I've told you that money is a negotiable receipt for deposited goods. Well, what about services? Your orgs sell a lot of them. How does a service fit into this?

A SERVICE IS DEFINED AS AN INCREASE OF USABLE GOODS.

Consider a lawnmower repairman who sits down and someone brings him his broken-down mower and this repairman fixes it. He didn't actually <u>make</u> that lawnmower, but he did increase the number of usable goods in the society because before he fixed it there was one less lawnmower and when he was <u>finished</u> supplying his <u>service</u> there was one <u>more</u> lawnmower. And to this degree, no matter how small it may seem, that lawnmower repairman helped hold down inflation.

In the case of your org, A SERVICE INCREASES THE USABILITY OF A PERSON. Students and pcs come to you in one state or condition, you supply them services and they become more useful, more valuable, more productive. This is not a light statement. The more productive people there are in a society, the more goods there will be in a society, and the better off society will be in general.

The goldsmith, as a banker, used his basement as a depository. What is the FBO's depository?

SERVICE CAPACITY UTILIZED IS THE DEPOSITORY FOR AN FBO.

It is up to an FBO to increase his depository, his utilized service capacity. And whatever increases his service capacity utilized is the direction the FBO heads in. A bookstore outlet, another bookstore outlet, more auditing rooms, more auditors, more pcs to help fill those auditing rooms, a second HGC, another course room, more supervisors, more students so the sups won't be lonely, more word clearers, and so on.

The greater the service capacity utilized, the greater the service delivered.

The greater the service delivered, the greater the income.

The greater the income, the greater opportunity for this banker (FBO) to loan (invest in FP) for more service capacity.

The greater investment in more service capacity, the greater ability to get more service capacity utilized.

The greater the service capacity utilized, the greater the service delivered.

The greater the service delivered, the greater the income.......

And on each of these cycles, the FBO and the org get another benefit from this: products delivered out into society and Reserves.

You've got the title of Flag Banking Officer and you've got the tech of banking. So now let's see you use these basics of REAL banking to do what they were invented to do and what they DID DO innumerable times over countless ages -- increased production and built empires, yes EMPIRES!

Let it be up to you to apply these basics and then hold up the power trending stat graphs of your org and your Reserves and say, "And THAT is banking!"

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FOUNDER

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