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The Federal Reserve System

Its (Un) Constitutionality and Influence on the American Politics and Militarism 1913-2003

A Dissertation Submitted to the Department of English in Candidacy for a Doctor Degree in American Civilization

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To the memory of my father

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unyielding devotion and love. Last but not least, my new born son, Tamim, was the candle that lightened my darkest days. His birth inspired me to work hard and finish this dissertation.

List of Acronyms

AMPAC: Australia Muslim Public Affairs Committee

AP: Associated Press

API: American Petroleum Institute

BBC: British Broadcasting Corporation

BBL: Barrels

BIS: Bank for International Settlements

BP: British Petroleum

BRICS: Brazil, Russia, India, China, South Africa

CBC: Canadian Broadcasting Corporation

CBS: Columbia Broadcasting System

CEO: Chief Executive Officer

CFR: Council on Foreign Regulations

CIA: Central Intelligence Agency

CNBC: Consumer News and Business Channel

CNN: Cable News Network

DOFF: Directory Office of Facts and Figures

EIA: Energy Information Administration

EMS: European Monetary System

EMU: European Monetary Union

EU: European Union

FBI: Federal Bureau of Investigation

FDC: Foreign Debt Commission

FRB: The Federal Reserve Board

FTC: Federal Trade Commission

GDP: Gross Domestic Product

GM: General Motors

GRIC: German Reparation International Commission

ISG: International Survey Group

IMF: International Monetary Fund

MPs: Members of Parliament

NAC: National Advisory Council on International Monetary and Financial Problems

NBC: National Broadcasting Company

NEPDG: Nation energy Policy Development Group

NMC: National Monetary Commission

OPEC: Organization of Petroleum Exporting Countries

PNAC: Project of New American Century

SSCI: Selected Senate Committee on Iraq

UN: United Nations

US: United States

USSR: Union of Socialist Soviet Republics

WB: World Bank

WIB: War Industries Board

WMD: Weapons of Mass Destruction

WWI: World War I

WWII: World War II

Abstract

This dissertation comes to unravel the untold mechanisms of the American militarized foreign policies. It investigates the authentic motives behind the American militarism in the last 100 years by examining the great wars in which it was involved. The main hypothesis that has been advanced in this work is that the "unconstitutional" Federal Reserve System, which is dominated by ruthless banking interests, influenced the American foreign policies by turning the country into a non-stop war machine. American military interventionism has played a key role in securing the banking interests during/after World War I and II, and in maintaining the dollar hegemony after the War on Terrorism. This dissertation opted for an exploratory research methodology using the technique of case study. WWI, WWII, wars on Afghanistan and Iraq are all examined by investigating the influence/role of the Fed/petrodollar over/in the American militarized foreign policies. The findings of this research confirm the hypothesis in question in the sense that the American central bank, since its creation in 1913, has tremendously militarized the American policies after two centuries of isolationism. The conclusion that this research brought up is that private "interestism" has kidnapped the American policy-making by turning the Federal Reserve into a nonstop money-creating machine and by turning the American government into a war-creating machine which both serve the interests of private bankers.

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General Introduction:

Since the creation of the Federal Reserve System (the Fed) in 1913, the United States of America (US) has been waging dozens of military interventions around the world. This central bank; which is a privately owned institution, generates benefits primarily by lending money at interests to governments and to other private corporations. Being, for many; like Ron Paul and Eustace Mullins, an unconstitutional monetary and financial institution that is in charge of money supply in the US, the Fed is deemed in this dissertation as the reason behind the militarization of most of the American foreign policies since 1913. The influence of financiers on this institution dates back to the days of its establishment when a group of bankers and politicians met secretly on Jekyll Island[1] from November 20, to November 30, 1910[2]. The meeting and its purpose were held secretly and was not revealed to the public until the publication of Aldrich[3]'s biography in 1930. In fact, Bertie Charles Forbes, the founder of Forbes magazine, was the journalist who first disclosed the meeting in an article published in 1916[4]. Forbes described the party as the "... strangest, most secret episode in the history of American finance". (Stamper 104).

Paul Warburg, Frank Vanderlip, Henry Pomeroy Davison, who were a leading group in the American banking cartels, were among the attendees at the Jekyll Island meeting. Although he does not figure in the list of the attendees, J.P. Morgan, another prominent banker from New York, is believed to be very influential during the meeting because of his partner Henry Pomeroy Davison[5] who voiced his interests during the debates and whose proposals for the creation of a central bank were included in the Federal Reserve Act of

1913. The way the Federal Reserve functions reveals that private interests have been influential in the Government's decision making process. Being constantly indebted to the Federal Reserve banks, the American government is then compelled to continuously levy taxes on its people to pay back those loans plus interests. This fact explains why the American Government's debt is the largest in the world which currently counts $21.1 trillion[6]. Many assumptions have been raised around the role played by the Federal Reserve in being the agitator of military conflicts due to the huge amounts of benefits that can be generated from lending money to the belligerents to purchase war materials and from providing loans to military industries. Authors like Antony Cyril Sutton and William Clark have argued that the Federal Reserve's role during World War II (WWII, 1939-1945) and during the War on Terror was very significant.

This dissertation sets out to revise the prevailing viewpoints of the Federal Reserve System as a distinct institution from the Federal government's foreign policies in regard to its military interventions. Many scholars assume that this institution is a safeguarded warehouse for cash and gold and has no influence on the foreign policies. By design, this institution enjoys a certain independence from political pressure which makes it gaining some legitimacy among the public opinion. Neither the President nor the Congress have the prerogative to direct orders to the Federal Reserve Board (FRB) mainly because there is no statutory obligation that compels the Federal Open Market Committee[7] (FOMC) to release its transcripts to the public (Woodward 252). Therefore, some scholars like Dean Chroushore, point out that the role of the FRB does not trespass international markets while Legal scholars, like Rachel Barkow, consider the institution to be an exclusively internal agency that lacks international responsibilities.

Harris, Katherine Clark searched the influence of the FRB on the American foreign policies by investigating the recently released data that are related the institution in subject. FOMC transcripts from the 2008 financial crisis revealed that there were two policy decisions which have "substantial bearing on the US foreign Policy" and which were about the international swap line decisions and global coordination of interest rate cuts (395). Harris concluded from those released transcripts that the FOMC members openly expressed their diplomatic effects of their policies. The FRB requested the Department of State to examine its diplomatic repercussions of its decisions which were considered by the Department of State as interference in the process of foreign decision-making (395). These practices reveal that foreign markets are very crucial in maintaining the international dominance of the Fed's dollar and thus of the US global hegemony as an economic and military superpower. In fact, the international repercussions of the FRB's actions are not a newly remarkable phenomenon. Since 1913, the Federal Reserve had been lending money to other overseas central banks and governments as a strategy to open foreign outlets to the American economy from one hand and to maintain the dollar as the world's reserve currency from the other hand and thus, the foreign politics of the US government have to comply with the benefits of the Fed.

The Federal Reserve was very active during WWI and II through purchasing the government war bonds and through lending funds to private corporations inside both America and Europe. Liaquat Ahmed has been a professional investment manager for 25 years and has worked at the World Bank (WB) in Washington D.C and at many other financial cartels. In his *Lords of Finance: The Bankers Who Broke the World* (2009), Ahmed established that the American central bank (the Fed), along with the British, the French and the German ones were responsible for the WWII because they failed in the reconstruction of the international finance. Moreover, it is noteworthy to mention that David Zaring in his *Law and Custom on the Federal Open Market Committee* (2015) asserted that the FOMC, which is the most important committee since it controls the national money supply, is exempted from judicial review of its decisions (167). This put the committee along with the Federal Reserve at a superior position to operate freely and without fear from public scrutiny. Zaring pointed out that the five cases that have mentioned the FOMC as defendant were dismissed for lack of merit (167).

Because the Federal Reserve is beyond judicial review, this dissertation attempts to explore the connection between the private interests that stood secretly behind the creation of the Federal Reserve in 1913 and the militarization of the American foreign policies. After the independence from Great Britain, The US opted for an isolationist foreign policy by distancing itself from international conflicts but it eventually decided to join WWI (1914-1918) on false pretenses. A special focus will be given to investigate the benefits that have been generated by the Federal Reserve before, during and after the wars in which the US was a belligerent. The role of this institution is to be examined as a primary enabler of military conflicts through exploring the mechanisms of money supply notably after the collapse of gold standard during the 1970's which eventually permitted the central bank of the US to move from a gold-backed dollar currency to a fiat[8] one.

Besides stressing the role of the Federal Reserve's influence on the decision-making process of the American government in regard to international geostrategic issues, this dissertation emphasizes the role of the petrodollar[9] hegemony in contemporary times as a militarizing tool of the American foreign politics. William Clack[10], the author of *petrodollar* *warfare: oil, Iraq and the Future of the Dollar* (2005) examines the tripartite connection between the Federal Reserve's dollars, oil and war. This book was published two years after the invasion of Iraq and toppling of Saddam Hussein in which Clark explains how the US succeeded to sustain its international hegemony through using the dollar currency and through backing or installing puppet regimes in energy producing countries. Clark concluded that the imminent peak in global oil production and the ascendance of the euro currency were the covert reasons why the Bush's administration eventually declared a war on terrorism.

The petrodollar diplomacy started in the 1970's when Nixon agreed with the house of Saud to price their oil sales in dollars only and Organization of Petroleum Exporting Countries (OPEC) member countries followed Saudi Arabia later on. Saddam Hussein of Iraq, who was sitting on the second oil reserves of the world[11] which were very crucial to the hegemony and security of the American energy security, defied the petrodollar convention that lasted for more than 30 years by pricing his oil sales in euros instead of dollars. Oil is the vital natural resource for every industry and oil business is the basic support of any industrial infrastructure and occupies 98 percent of the international transportation system in addition to being the prime energy source for 40 percent of the global industrial economy (Clark, Hysteria Over Iran and a New Cold War with Russia: Peak Oil, Petrocurrencies and the Emerging Multi-Polar World. 09). A shift from petrodollars to petroeuros would be devastating to the value of the dollar currency which conducts two thirds of the world trade (IMF 586). The Wall Street analyst Bill O'Grady, a commodities analyst for A.G. Edwards which is a leading company in financial services, said to the Associated Press[12] (AP) in 2006 that if the largest oil producing countries shift its oil sales to euros rather than dollars, the

US would witness a "financial equivalent of a nuclear strike" which would mark the end of the American supremacy and would end the dollar's position as the international reserve currency (Abrahamson).

This dissertation argues that the public-private partnership in the oil business has been very influential on the American foreign policy decisions. This partnership dates back to WWI when the country was producing 60% of world's fuel (C. L. Clark 612). The US Department of Justice launched in the 1930's investigations on international oil activities but they were suspended during WWII and reopened in 1949 by the Federal Trade Commission (FTC). In 1951, the FTC concluded in its report that international oil companies developed a massive influence and that anti-trust laws had to be passed (Markus 83). During the 1950's, the banker Sheldon Prescott Bush, the grandfather of President G.W. Bush (2001-2009), ran for the US Senate from Connecticut. G.W.H Bush, who became president of the US from 1989 to1993, established Bush-Overbey Oil Development Co. This connection between the Bush's, as a leading family in oil industry, is better described as oil tycoons who spared no efforts to invest in banking and in "wartime business ventures" (Kawa). Both G.W. Bush and his father G.W. H. Bush initiated wars in the Middle East and Samuel Prescott Bush[13], who was the father Sheldon Prescott Bush, served as Chief of the Ordnance, Small Arms and Ammunition division on the War Industries Board (WIB) (Spingola 565).

This present work argues that the war on terror was carried out upon false accusations and against the laws of the United Nations (UN). It will investigate the genuineness of the proclaimed rationales behind the invasions of Afghanistan and Iraq in an attempt to figure out which rationale is more convincing. Saddam Hussein was charged with support to *Al-Qaida*[14] and with building nuclear capabilities. He became an imminent threat towards the international security and thus the argument of a pre-emptive strike became widely supported among the international community. Samuel Huntington, in his *Clash of Civilizations* (2007) pointed out that Iraq was the only Arab state which possessed the ability to lead the Arab countries and challenge the hegemony of the US. The National Energy Policy Development Group (NEPDG) asserted that Iraq was swimming in the second largest proven oil reserves in the world and was regarded by the report, which was given to Bush the son in May 2001, as very vital to US interests.

Fouskas and Gökay in their *The New American Imperialism: Bush's War on Terror and Blood for Oil* (2005) and Noam Chomsky in his *The Essential Chomsky* (2008) argued that the mild decline in the American economic supremacy led to endorsing a militaristic strategy to restructure the countries with potential energy resources. They illustrate Afghanistan as a geostrategic country locating at a vital route for the passage of energy pipelines from the Caspian Energy fields to the Arabian Sea via Afghanistan. They emphasized that the establishment of military bases in the country that used to host *Al-Qaida* aimed at securing the oil of Central-Asia region from one hand and to deprive China and Russia from exercising any influence on that region from the other hand. Moreover, Jean-Charles Brisard and Guillaume Dasquié in their *Forbidden Truth: U.S.-Taliban Secret Oil Diplomacy and the Failed Hunt for Bin Laden* (2002) claim that the American government during the Clinton administration negotiated with the Taliban about the energy pipelines. Fouskas and Gökay, however, relate the invasion of Iraq to the dollar hegemony. They argue that it was not just a question of controlling energy resources of Mesopotamia but it was a question of maintaining the petrodollar system.

Nowadays, oil is the crossroad where economics, politics and militarism connect due to its importance in sustaining stability of businesses. Oil is the bloodlife and backbone of modern global trade where the role of public-private partnership became quintessential in modern economic balances. Daniel Yergin, an oil historian, contended that oil is closely intertwined with national strategies and global politics and power since it is the engine of any modern economy (13). Yergin pointed out that oil is the point where international economic concerns, national security and the interests of private corporations all converge and therefore, any changes in those concerns would put the interests of the US in jeopardy (410). The RAND, which is a leading research organization that develops solutions to public policy challenges, established that the major risk to the US is a sudden disruption in global oil supplies because the States primarily depend on the importation of oil from OPEC. It is beyond dispute that oil the dynamo of the American economy and the one that is holding the country as an economic superpower. Therefore, any disruption in oil supplies to the American economy would be devastating to the local businesses and thus to the whole country.

The present research is important to better understand the mechanisms that drive the American foreign military interventions. The existence of a wide array of literature around the American militarism made this research a requisite to explore the factors that govern the American decision-making process. Researchers do not agree on the same geostrategic factors that are turning the US into a non-stop war machine. Ismael Hossein-zadeh in his *The Political Economy of the U.S. Militarism* (2007) asserts that prosperity and progress in the States are largely dependent on the military spending. The US military spending is the largest item in the federal budget[15] which means that it is very vital to the American economy since it contributes to the creation of jobs, demand stimulation, and technological innovations and provides benefits to businesses and thus to the whole population (203-204). Zadeh points out that the official defense authorization bill, which was signed in 2003, few months after the invasion of Iraq, stood at $401.3 billion. According to him, the figure represents half of the global total military spending which does not actually include the cost of wars in Iraq and Afghanistan which counted around $300 billion (205).

This dissertation makes an effort at bridging a conceptual gap in both the literature on the Federal Reserve and the history of American military interventions. It neither argues that the American oil interests dominate foreign policymaking nor that foreign affairs considerations necessarily affect the militaristic predisposition of the country. It does, however, undertake to understand the ways in which the Federal Reserve stayed directly/ indirectly engaged with the American militarism at the international scale by turning the U.S. into a war machine that never cedes to strike. A thorough focus will be given to the development of central banking system and its financial agendas during the course of its history from an institution that is supposed to manage the American domestic monetary affairs to an institution that is in charge of managing the world's reserve currency. The present work delves deeper into the correlation that exists between the dollar currency and the militaristic tendency of the US which aims at maintaining its hegemony through dollarizing the international trade.

The aim of this dissertation is then to unravel and to understand the true motives that drive the American interests when intervening militaristically in foreign territories. A lot of hypotheses have been raised about the American militarism but none of them have prevailed the argumentation. This work comes then to investigate the different rationales behind the militaristic predisposition of the U.S. aiming at disclosing the most convincing one. The main hypothesis of this dissertation is that the Federal Reserve, that is the American central bank, has been acting as an agitator of military conflicts in which the US was involved. The present endeavor works on three variables; the (un) constitutionality of the Federal Reserve, the influence of this institution on the American Politics and Militarism. This research highlights the role of the Federal Reserve during WW I and II and examine the dollar's role in maintaining the American Hegemony especially after the introduction of Marshall Plan (1947) which came right after the introduction of Bretton woods (1944). The Latter made the dollar the currency of international settlements by which 44 countries[16] accepted it as the currency to use in international trade. Some light will be shed on the role of Marshall Plan in expanding the Federal Reserve's sphere of influence especially with the policy of providing loans to the Allies to help them reconstruct the devastated Europe after WWII. Moreover, this dissertation investigates the War on Terror in attempt to explore the potential connection between the war on Afghanistan/Iraq and the Federal Reserve.

The methodological approach that this dissertation opted for is an exploratory research methodology. The latter is deemed useful to investigate the rationale behind the militarization of the American foreign policies because the subject had been widely explored but not well defined. With the existence of a wide array of literature around the issue, the exploratory method becomes very helpful especially when it comes to making connections between three variables, namely; The Federal Reserve System, the American foreign politics and the country's militaristic tendency. The research chose to depend on the case study as a technique to examine the correlation between the variables in question and therefore, WW I, WW II, the war on Iraq and the war on Afghanistan have been chosen to examine the correlation between the variables in question.

With this objective in view, and in order to collect the appropriate data, the project has undertaken a process of reviewing the literature that is relevant to the three variables along with a content analysis by relying on a variety of primary studies and sources; like governmental announcements, briefings, interviews, news reports and articles and on secondary studies, which were conducted by experts in the fields of politics and economics such as books and scientific articles. Content analysis is helpful in determining the causes that stand behind the militarization of the American foreign policies. Finally, the genuineness of different alleged rationales that explain the American Militarism is undertaken by evaluating their potential correlation with the four case studies in order to comprehend if they comply with and/or contradict the hypothesis that is advanced in the sense that whether it confirms/ refutes the correlation between the Federal Reserve and the militarized foreign policies of the US.

Chapter one is an introduction to the history of central banking in and outside the US with a considerable exploration of the different economic and financial terminologies in order to introduce and familiarize the reader with the topic in question. This chapter tries to argue that there has been, since the days of the Roman Empire, a private interest in banking due to the benefits that could be easily accumulated from investing in an institution that is in charge of money supply within a given society. A special focus has been given to different theories in central banking namely the State and Independent theories in addition to theories in monetary and financial activities with a reference to money creation within fractional reserve banking[17]. This chapter highlights the history of central banking in the US before the creation of the Federal Reserve System in 1913 with reference to the controversies that accompanied the creation of the First American national bank (1791-1811) and to the Second national bank (1816-1836).

The last section of the first chapter argues that the private interests of some American private bankers stood secretly behind the establishment of this institution. It focuses on the Jekyll Island conference whose attendees met secretly in 1910 to discuss the creation of a central bank that would be granted authority to manage the monetary policies of the US economy. Lastly, the chapter focuses on the question of the (un)constitutionality of the established institution with an in-depth analysis of the different standpoints vis-a-vis the question. A legal analysis of some key constitutional articles that deal with monetary and financial powers will prevail the last section of this chapter attempting to figure out whether the Federal Reserve is a constitutional institution or not.

Chapter two focuses on the role of this institution during WWI and II by examining the connection between money lending during and after the two wars. The chapter starts by examining the military mobilization that had been precipitated by money lending to the private sector. After decades of isolationism, the US decided to join WWI because of the sinking of the Lusitania which had been proven by many observers that the incident was a plot which aimed at pushing the US to join the war. The chapter highlights the huge amounts of loans that had been provided to the war belligerents before and after the armistice in addition to the loans which were advanced to the Allies for the reconstruction and for the payment of their debts. The chapter, and after exploring the role of banking institutions during the interwar era, it argues that WWII took place mainly because of the American bankers who helped Adolf Hitler[18] built his military Arsenal. The chapter explains the role of the Federal Reserve during the war mainly its role in purchasing and managing war bonds.

Chapter three is going to examine the role of the institution that is in question in the post WWII financial reordering. The Bretton Woods conference which made the dollar currency the international reserve note bank and paved the way towards an international monopoly of gold reserves and of global financial markets. Moreover, Marshall Plan is to be investigated to explore the potential expansion of the Federal Reserve's sphere of influence outside the US by examining the credits it loaned to European central banks which were required to payback those loans through funded interests[19] and funded debts[20]. This chapter explains that the collapse of the gold standard during the 1970's opened a new monetary and financial dominance of the dollar currency over the global trading system in which oil replaced gold as the commodity that would empower the hegemony of the dollar.

The second part of this chapter examines the connection between the dollar hegemony and the Central-Asia energy resources. It is argued in this part of chapter three that the invasion of Afghanistan aimed at controlling the Caspian energy fields and thus ensuring that countries like Turkmenistan and Kazakhstan would not challenge the dollar hegemony as Saddam did when Europe introduced its new currency in late 1999. Last but not least, chapter three discusses the politics of the Turkmenistan-Afghanistan-Pakistan (TAP) pipelines that the US intended to use to supply China and India with the Caspian oil and gas and thus continuing its hegemony over world energy resources

The fourth chapter focuses on the connection between the war on Iraq and the dollar hegemony in an era when energy resources, notably oil, became the pillar which lifts the dollar currency to its current supreme position. This chapter argues that the different rationales that have been addressed by the White House to invade Iraq were false and treacherous. The chapter claims that there was a tight connection between the Bush's administration and oil industry in addition to a thorough examination of his crew members' announcements about Iraq before and after 9/11 attacks. The dollar hegemony will be the main focus of this chapter through a comprehensive investigation of the hidden rivalry between the euro and the dollar over trading oil in the international markets.

End notes

[1] An island situated off the cost of the state of Georgia. The secret meeting took place in the old clubhouse from November 20, 1910–November 30, 1910.
Richardson, Gary, and Jessie Romero. “The Meeting at Jekyll Island.” Federal Reserve History, www.federalreservehistory.org/essays/jekyll_island_conference.
[2] Ibid.
[3] Aldrich was chairman of the US Senate Finance Committee at the turn of the twentieth century.
“Nelson W. Aldrich.” Federal Reserve History, The Board of Governors of the Federal Reserve System, www.federalreservehistory.org/people/nelson_w_aldrich?WT.si_n=Search&WT.si_x=3.
[4] Forbes, B.C. Men Who Are Making America. New York: B.C. Forbes Publishing Co., Inc., 1917
[5] Henry Pomeroy Davison, J.P. Morgan partner was an important financier in the US banking network at the beginning of the twentieth century and he was very close to Nelson Aldrich. He helped at setting out the basic foundations for the Federal Reserve system.
“Henry Pomeroy Davison.” Federal Reserve History, www.federalreservehistory.org/people/henry_pomeroy_davison.
[6] The following website is the official clock that constantly counts the national debt of the United States. http://www.nationaldebtclocks.org/debtclock/unitedstates
[7] The Federal Open Market Committee (FOMC): involves the seven members of the FRB; the president of the Federal Reserve Bank of New York; and four of the remaining eleven Reserve Bank presidents . The Federal Open Market Committee is in charge of open market operations. The Committee analyses the economic and financial environments, defines the suitable position of monetary policy, and evaluates the risks to its long term objectives.
Board of Governors of the Federal Reserve System, www.federalreserve.gov/monetarypolicy/fomc.htm.
[8] A fiat currency is the one that is backed by no precious metal like silver or gold but it is backed by trusting government that it will pay back its debts.
[9] The system of pricing oil in dollars only
[10] William Clark is the author of Petrodollar Warfare: Oil, Iraq and the Future of the Dollar (New Society Publishers, 2005). He has received two awards, first in 2003 for his innovative investigation on the Iraq War, oil currency conflict, and US geostrategy, and again in 2005 for his research on Iran’s future euro-denominated oil bourse. He is an Information Security Analyst and guest lecturer in the U.S. and abroad. He holds a Master of Business Administration (MBA) and Master of Science in Information and Telecommunication Systems (MS/ITS) from Johns Hopkins University. He lives near Bethesda, Maryland.
“William R. Clark.” Clark, William R. | New Society Publishers, www.newsociety.com/Contributors/C/Clark-William-R.
[11] From the report that was handled to Bush in 2001 by the National Energy Policy Development Group which is entitled : Reliable, Affordable, and Environmentally Sound Energy for America’s Future
[12] The Associated Press is a global media organization that brings thorough coverage on daily big stories related to international, politics, lifestyle, business,… etc.
[13] Samuel P. Bush was chair of a railroad equipment-manufacturing firm (1908- 1927), that had provided the Morgans, Harrimans, and Rockefellers and the railroads they controlled with necessary related materials.
Samuel P. Bush, ipfs.io/ipfs/QmXoypizjW3WknFiJnKLwHCnL72vedxjQkDDP1mXWo6uco/wiki/Samuel_P._Bush.html.
[14] An organization that was founded in 1987 by Osama Bin Laden and which is believed to be responsible for many terrorist attacks mainly the one of 9/11/2001.
“Al-Qaïda Organisation Terroriste.” LExpress.fr, 25 Apr. 2017, www.lexpress.fr/actualite/monde/al-qaida-organisation-terroriste_1816935.html.
[15] Officially, military appropriations come second after Social Security spending. However, Social Security, unlike the Military, is a self-financing department. To this regard, military spending is usually considered the first item in the budget “Social vs. Military Spending.” Ismael Hossein-Zadeh, 12 Apr. 2014, ismaelhossein-zadeh.com/social-vs-military-spending/.

[16] Markwell, Donald (2006). John Maynard Keynes and International Relations: Economic Paths to War and Peace. Oxford: Oxford University Press

[17] Fractional reserve banking is a monetary arrangement in which a given bank holds only a portion of Its cash deposits. This strategy is implemented to free the capital that can be lent out to different parties Staff, Investopedia. “Fractional Reserve Banking.” Investopedia, 9 Oct. 2015, www.investopedia.com/terms/f/fractionalreservebanking.asp.

[18] Leader of the Nazi party (National Socialist Party) and Fuhrer (president) of Germany from 1933 to 1945.

[19] Funded interests are loans that are given to the borrower to pay the interests of the first loan.

[20] Funds raised through issuance of securities such a bonds. Sometimes long-term (but not short-term) loans are also called funded debt.
“What is funded debt? definition and meaning.” BusinessDictionary.com, www.businessdictionary.com/definition/funded-debt.html.

Chapter One: Historical Background of Central Banking in the United States

Introduction

The creation of a central bank in the United States has always been controversial since the days of George Washington. The Founding Fathers were not in support of installing strong central political intuitions let alone the establishment of a central institution that would be given the power to manage the country's monetary policies. Their experience with monarchical regimes of Europe taught them that centralization of power means paving the way for the rise of a dictatorship. The constitution of the US set it clear that the power to create money and to regulate its value is the exclusive prerogative of the Congress. When Alexander Hamilton, the Secretary of Treasury, during Washington's presidency, proposed for the creation of a central institution that would run the monetary affairs of the US, the American political elite was rifted among pros and cons. The pros justified their stand with an urgent need to unify the national currency in order to ease interstate commerce, whereas the cons set their stand on constitutional grounds by maintaining that the power to create money is the absolute power of Congress and thus of the people of the country.

This chapter sheds some light on the origins of central banking in the world and then in the US with a reference to the first and second national banks of the US. Moreover, it demonstrates the different monetary policies that a central bank conducts in general with a comparison to the one of the Federal Reserve. This chapter does not claim to be an economic examination of the different monetary and financial policies, but it merely exhibits the general guidelines of central banking. The role of businessmen and bankers in the creation of the Federal Reserve in 1913 along with the Jekyll island conference will be thoroughly argued.

The chapter ends up by a discussion of some conspiracy theories around the institution in subject with a careful selection of authors on whom our conclusions will be wrapped up. At last, an examination of the constitutionality of the institution that is in question will take place to figure out its legal position in modern times.

1-1 Central Banking and Economy

The purpose of this chapter is to go over key facts in the institutional development of banking activities and identify emerging trends through history. It helps at understanding the presence of private interests in the establishment of banks in general and central banks in specific. This study does not claim to be a thorough and efficient analysis of banking history; rather, it represents transitory developments of historical perspectives of the present day banking practices. Moreover, this chapter explores the different central banking trends vis-à-vis their tasks and their independence within their respective countries in a manner that serves to better understand the potential influence of private bankers on the government's economic, political and more importantly militaristic actions.

One of the most remarkable achievements of the human mind was the establishment of a banking system that could ensure financial transactions and better economic exchange. In fact, many banking activities existed many centuries ago before they became as we know them nowadays. It is said that the first banking activities, according to Cochrane, can be traced back to ancient Greece. Xenophon[1] (430 - 354 B.C.) inferred that if all the Athenians would contribute together to found a large bank, they would soon be able to construct new wharves, halls, exchanges, and the like, besides making a better life for every citizen. In the second millennium B.C, banking activities can also be tracked in Mesopotamia in the city of Babylon. The standards of the banking practices featured first in the Code of Hammurabi. There is some internal evidence in the Code about the rate of interest charged on loans. Law 88 in the Code of Hammurabi states that "If a merchant has given corn on loan, he may take 100 SILA of corn as interest on 1 GUR; if he has given silver on loan, he may take 1/6 shekel 6 grains as interest on 1 shekel of silver" (Nagarajan 113).

Rome also witnessed some banking activities in their very early primitive form. The Roman society was made up of an upper class that was extremely rich and another lower class that was very poor. This gap between these two social classes made borrowing for the purpose of trade very rare. However, the need to borrow for the purpose of overcoming poverty was very common among the lower class. It was considered unethical to charge interests on these kinds of transactions. The philanthropic Augustus Caesar[2] started a fund for the purpose of lending money to needy Roman citizens without interest (Cochrane 09).

Modern banking practices can be tracked in medieval Italy mainly in the cities of Florence, Venice and Genoa. The Italian Bankers like the Peruzzi's and the Bardi's used to make loans to both finance the princes' wars and their extravagant lifestyle. The most famous bank was probably the Medici bank which was set up in 1397 by the Medici family (Roussakis). Medici expanded loans to include merchants, royal families and Pope. He started a branch of his bank in London and many other cities across Europe to better and to facilitate trade transactions (Goldthwaite 223).

Banks in the US started eight years after independence. In 1791, the first chartered[3] bank was established in Philadelphia and by 1794; there were already seventeen chartered banks in the whole country (Klebaner 13). The state of New York enacted the Free Banking Act in 1838 which permitted to anyone who met certain criteria[4] to engage in the banking sector. The other states soon enacted similar free banking acts which made those banks able to issue their own notes. This new trend in the American banking system made huge problems apparent with the diversity of banknotes being in circulation. The idea of having a central bank that can issue a nationwide banknote and regulate the inflation of the currency became a necessity.

1-1 -1 Central Banking System

Central banks of these times are financial institutions that run the monetary policies of their respective countries through maintaining its value internally and externally (Capie and Fischer). They manage the state's currency, money supply, interest's rates and they stabilize the financial turmoil during financial crises. They provide the core components of payment systems and print the currency that usually functions as the legal tender of that country (Bank of Canada). Most of central banking systems started in the twentieth century as a response to the increasing number of commercial banks.

The eldest roots of modern central banking system date back to 1668 in Sweden when the privilege to operate a central bank was granted to the "Riksens Ständers Bank" (Bank of the Estates of the Realm). This bank was run under the patronage of the "Riksdag of the Estates"[5] in order to avoid any interference from the king after the collapse of the bank of Stockholm. The central bank of Sweden got the name of "Sveriges Riksbank" after the institution of the new "Riksdag" (Riksbank). The second eldest bank is the one of England. In July 27th 1694, the governor and the company of the bank of England had been offered a corporate charter on the condition that they elevated a capital of £1,200,000. This capital was to be lent to the government of England at 8 percent of interest. While 8 percent was below the market rate of that age, the stockholders of the bank were very much enticed by the hope of profit from the expected banking activities (Wood 594).

The bill of the first central bank of the United States, which is the main concern of this research and which more scrutiny about it comes later in this chapter, was passed in Congress in 1791 and chartered for a term of twenty years. The idea of having a national bank was first advocated by the secretary of treasury Alexander Hamilton who sought for a strong central government with a strong national bank that could stabilize and improve the nation's credit besides ensuring its financial duties with its own people and foreign investors (Digital History). The aim behind the establishment of a central bank according to Hamilton was to install financial clarity in the infant country, establishing credit and resolve the problem of fiat currency that was issued first during the revolution by the Continental Congress[6] (Hamilton). The institution of a central bank left the decision over the constitutionality of the bank on the shoulders of the President Washington. It was believed that Washington signed the measure out of the conviction that having a central bank is a financial necessity (Digital History).

1-1-2 Theories in Central Banking Systems: State or Independent

In the contemporary debates of political economy, the question of which institution should be in charge of the decision- making process becomes very critical due to its role in the fulfillment of the government's short and long-term economic plans. Some consider that politicians who are subject to frequent elections are the ones who are worthy of such prerogative whereas others see the bureaucrats the ones apt for this endeavor. Fiscal policies in most countries are made by politicians while monetary policies, which are a more complex task, are made by technocrats whose terms of office are longer than the one of the elected political elite.

The Evolution of the roles and functions of central banks have not been the same because they emerged in very different circumstance. A given category of banks started for the purpose to set order to the issuance of banknotes. Another category was founded to act as a funding channel for their respective countries and the majority however, was created in the twentieth century to act as public financial institutions and do central banking activities (Archer). The governance structure of central banks has two aspects; banks that submit to the governance of the state and undergo to the public accountability by and through the legislative and executive bodies, whereas the second type of central banks is an independent corporate which run the monetary policies autonomously (Cukierman). The central bank gets independence in a manner that assures that the central bank's powers are used to stimulate public welfare and that the central bank is subject to accountability.

Advocates of central bank independence argue that central banking should be separate from the executive or the legislative bodies. They see that any attachment between central banking and government would result in the luck of institutional independence and thus in a sub optimal monetary policy (Amtenbrink). Lately, a growing number of governments have released their central banks into independence or strengthened the existing degree of independence as an attempt to put their monetary policies on solid grounds. A lot of scholars and authors like Vittorio Grilli, Donato Masciandaro, Guido Tabellini, Edmond Malinvaud and Marco Pagano in their *Political and Monetary Institutions and Public Financial Policies in the Industrial Countries* (1991) concluded that lower levels of inflation and thus more economic growth and less unemployment are achieved through having independent central banks which are Shielded from political influence which, by its turn, guarantees the stability of the monetary system and secures the value of the currency.

Several economic studies, like the research project prepared by Berger, De Haan and Eijffinger, have tried to establish the economic benefits of central banking Independence with an emphasis on inflation and economic growth. Their central argument is that elected politicians encounter monetary lures that are conflicting with an inflation-averse[7] monetary policy. It is most likely impossible for politicians to be objective to the short-term benefits of an expansive monetary policy[8] because of the nature of their position, which is based on the mandate of the electorate, and also because they lack the credentials of experts in monetary tactics. On the contrary, Bureaucrats who stay in their position longer tend to conduct better monetary policies and their focus can be on long-term stability rather than short-term monetary temptations. Some champions of central banking independence, like Anterbrink, even go further to argue that a central bank should in fact be a kind of fourth branch of government that can check policies of other government branches that are considered of high potential risk to the monetary stability (03).

The central bank democratic accountability is another issue that made some experts reluctant about the independence of the central banking system. They argue that having a monetary institution that is subject to no influence from the executive and legislative bodies may result in conflicts between that central bank and the government like issuing policies that contradict the national financial policies. In exemplary cases, the country may reach an impasse when each institution sticks to its own resolution. As a solution, scholars emphasize on having conflict resolution mechanisms that ensure the installation of communication channels between the central bank and the government (Alesina and Summers). This kind of arrangement between the government and the central bank may lead to rub out any misunderstanding and false prospect during the decision-making process. The ideal way to develop the contact between the central bank and government is to consent for the participation of government officials in central bank committees like the monetary policy board of the bank. But, if the law considers the governor of the central bank to be the one in charge for monetary policy, it would be very difficult to maintain this kind of arrangement because the governor of the bank has the right to pursue relevant decisions.

Keynes[9] was probably the leading economists who thoroughly went into this dilemma of central banking independence. Keynes in 1932 set a framework of a specific system of independence that he thought would enhance efficiency in the conduct of monetary policy and permit democratic control over the central bank. He wrote in 1932 about the ownership of the central banks an emphasized the importance of independence from the political cycles. Keynes stated that:

> The presence of private capital is probably a considerable bulwark against some kinds of political pressure. Continental experience shows that private ownership of the Bank's capital, even although the shareholders have no more than advisory powers, is an important safeguard of the Bank's independence; and continental writers have laid great stress on this (Bibow 755).

Keynes designed a framework for the foreseen relations between the government, the central bank and the shareholders. He openly believed that the government should appoint the officials responsible of the decision-making process at the level of the central board of the central bank. However, Keynes wished to consider, at the same time, the banking and commercial knowledge of the representatives of the shareholders even if the central bank does not have purely commercially interests. Though Keynes believed that the ownership of the institution in question is to remain private but the influence of the shareholders is merely advisory and consultative (Bibow).

The question of (in) dependency of central banking around the world is still unsettled in economics literature. The pros of central banking independence point out that interference in monetary policies from the governments usually serves the interests of the politicians who look for immediate accomplishments and are not qualified enough to settle complicated monetary issues. The cons of independence argue that making an institution that is in charge of monetary affairs of the country beyond governmental oversight, is exposing the central banks to ruthless private interests who may delineate the bank from its real objectives.

1-1-3 Fiscal and Monetary Policies

This section of the first chapter outlines the current roles of central banks in regulating the economies in their respective countries. It sheds light on a cluster of functions and objectives around central banks' macroeconomic and financial stability goals. Historically, however, central banks have been studied more in terms of their functions than their objectives. To this regard, the past texts on central banking said enough about functions but relatively little about objectives. the vast majority of central banks are new, having been created by governments to fulfill a range of tasks befitting the 20th century concept of economic management. Key previous tasks of central banking, such as fiscal policies, are now, to some extent, dissimilar than they were in the first phase of central banking.

Setting the relationship between the government and the central bank is an essential element of central banking charters. Central bank ownership and its political autonomy, its capital and distribution of profits and finally its credit to the government are the key components of the relationship between the institution in question and the government. At the beginning of the 1990's, many countries have updated the legislation of their central banks for the purpose of defeating inflation. The backbone of this reform was to limit the central bank financing of the governments since it was considered a long-lasting source of inflation. The new set legislation of that era tended to build a critical credibility for central banks that was the cornerstone for achieving a sound monetary policy (Luis I. Jácome).

Regulating fiscal and monetary policies are the most challenging tasks undertaken by central bankers. They are challenging because the governance structure of the central bank has to meet special requirements in a manner that allows policymakers to achieve certain goals related to macroeconomic stabilization while remaining subject to accountability. Although, these latter should be long-term objectives, there is another way of considering policy-making which is through framing the initial goal as sustaining the flexibility of the financial system during the vicissitudes of the market (Tucker). Generally, there are three main roles of central banks: setting fiscal and monetary policies, setting interest rates and supplying the economy with currency. The correlation between the treasury and the central bank is that they both work to set the foundations of sound financial policies. The coherence of monetary policy with government financing policies is conducive to successful macroeconomic procedures. The department of Treasury and the central bank independently run different portions of the overall government sector's balance sheet and both institutions have different priorities and insights about the potential of financial risks. Adequate management and adequate planning mechanisms are the rigorous approach to elude the risks of clashing policy actions and wide economic downturns (Pessoa and Williams).

Fiscal policies are known as the use of government spending and taxation to stimulate trade and business within an economy (Horton and El-Ganainy). Governments usually implement fiscal policies to encourage robust and sustainable growth and to shrink the volume of poverty within their respective countries. A central bank influences a nation’s money supply through fiscal and monetary policies. These two strategies are used in different combinations to direct a country's economic goals (Heakal). The origins of fiscal policies go back to the British economist John Maynard Keynes who set the theory that suggested that governments could affect the amounts of productivity by increasing or decreasing tax levels and public spending. When the world’s economies were in the mud during the Great Depression of the 1930’s, the British economist stated that governments should increase public spending and cut taxes to enhance their economies. Keynesian theory was considered heretical because the dominant view at that time was that a market economy would recover on its own without any intervention from government. In contrast, Keynes maintained that an economy could suffer forever with high unemployment rates if aggregate demand is inadequate. (Nelson).

Keynes affirmed that the implemented monetary policies to bring the world’s economies back on their feet were ineffective during the 1930’s because they depended on reducing interest rates in an era of depression when interest rates were already close to zero (Nelson). On the basis of this justification, Keynes contended that governments should increase the public spending in order not only to boost demand directly but also to increase demand from workers and suppliers whose profits had been augmented by the government's expenditure. Likewise, a tax cut would save some money in the wallets of consumers which, by its turn, would boost demand (Blinder). The supporters of Keynes understood that fiscal policy can be a powerful lever to boost the economy because the effects of an increase in spending or a cut in taxes would be multiplied by stimulating additional demand for consumption. Coordination of the financial activities between governments and their respective central banks is requisite to ensure sustainable growth and to avoid clashing strategies. Central banks' need to express their visions on budgetary policies became conventional in the world of finance. Central bankers tend to focus on the medium term sustainability of fiscal policy more than the short-term policies. This includes a focus on a solid and realistic budgetary process that does not require frequent adjustments during the year (Hilbers).

A monetary policy is an economic plan implemented by a government/a central bank in deciding increase or decrease in the country's money supply. Usually, a monetary policy employs buying or selling national debt, changing credit restrictions, and changing the interest rates by changing reserve requirements (Business Dictionary). Monetary Policy involves changes in the base rate of interest to influence the rate of growth of aggregate demand, the money supply and ultimately price inflation (Adelina-Geanina). The relationship between the department of treasury and the central bank needs to be clear at a high level, usually in legislation, which depends on their respective roles and responsibilities. The central bank provides a number of services to the treasury and the most important one is acting as its banker. Moreover, the central bank also offers some services that fall under the general heading of debt and cash management. In return, the Treasury provides services to the central bank notably the cash flow forecasts (Pessoa and Williams).

Monetary policies have many fundamental goals such as promoting sustainable employment, promoting stable prices and moderate long-term interest rates. In addition to help setting moderate long-term interest rates, stable prices are usually a requirement for the growth of sustainable output and a constant employment cycle. When prices of goods, services, materials, and labor are stable and expected likely to remain so for the long run, inflation becomes benign to the economy, which will contribute to higher standards of living.

Moreover, stable prices boost savings and capital formation, because when the risk of depreciation resulting from inflation is lessened, households are encouraged to save more and businesses are encouraged to invest more (The Federal Reserve).

1-1-4 Money Creation and Fractional-Reserve Banking in Modern Economies

This section explains what money is and how it is created in order to eradicate all the preconceived ideas about it. It is believed, by most people, that money is just cash and the bank is a place where to keep it safe. However, from inside a bank, things look very different. In fact, the money that those customers have in their bank accounts is just accounting entries and the role of banks is to run those accounts. To this regard, this section will be explaining how commercial banks create money through loans and how central banks create reserves and issue cash money.

In fact, there are three distinct types of money; cash, bank deposits[10] and central bank reserves. Members of the public use only two types of money; cash and digits in their bank accounts. In modern economies, the only institution responsible for issuing cash money is the central bank. Physical money, or cash, is created under the authority of the central bank of the respective country with coins manufactured by the national mint. However, 95% of the money supply is digits in bank accounts (Huber). Most of the money in these accounts is created by commercial banks when offering loans to borrowers. Thus, these loans will be additions to the money supply without any alteration to the total sum of the base money in the central bank (2014). The latter's reserves are also considered a type of electronic money that is created by the central bank for the benefit of commercial banks to facilitate payment settlements between banks. The public and businesses cannot get access to central bank reserves, as they are only available to commercial banks at which they have accounts. Central

Bank reserves are only used by private banks to make payments between themselves and thus cannot be counted as part of the money supply (Josh Ryan-Collins).

In the present times, most of the money takes the form of bank deposits through making loans which automatically creates new money. When commercial banks make loans to customers or firms to do business they are actually creating new money since the borrowers will pay back their debts at interests. The ways banks lend and borrow money in recent times differ critically from what economics textbooks used to describe; banks used to receive deposits and then lend them to borrowers. Nowadays it becomes different; commercial banks create money just because customers asked for loans. And in order to control the banking activities and to establish more competitiveness between commercial banks, the central bank fixes the amount of money in circulation (McLeay, Radia and Thomas). This kind of prudential measures works as a restraint against commercial banks as a way to halting the banks from making unlimited loans as well as upholding the resilience of the financial system. All in all, the basic groundwork of banking system is not put up on a foundation of cash that is lent out; it is put up on the loans themselves.

The regular method by which any central bank creates reserves, which is a type of money as outlined above, is through a sale and repurchase agreement, which is similar in concept to a collateralized loan. Basically, the commercial bank sells an asset to the central bank (usually gold) in exchange for central bank reserves. Another way by which a central bank can create money is by simply lending commercial banks the reserves. Moreover, the institution that is in question can purchase some assets from private banks to help them stand and pursue their financial transactions. Most rich-economy central bankers print money (quantitative easing) to buy assets during the times of depressions to stimulate the economy by raising the value of these assets (Josh Ryan-Collins).

Money creation within fractional-reserve banking might look to some extent mystical and magical. With the stroke of a pen or the punch of a few computer keys, banks create money apparently out of thin air. Charging interest on moneylending has always been a controversial practice. Sacred textbooks of the monotheistic religions notably the Bible and the Koran condemn the practice of usury. Nowadays banking has become extremely sophisticated and the practice of setting interest on moneylending becomes very familiar. In modern economic theories, interest is the amount of money paid to induce those who have money to save it in the bank rather than spending it. Interest rates usually reflect the interaction between the supply of savings and the demand for capital.

1-2 History of Central Banking in the United Sates before 1913

> "The real truth of the matter, as you and I know is that a financial element in the large centres has owned the government of the U.S. since the days of Andrew Jackson [11]

The history of central banking in the US began in 1791 when the Congress chartered it for twenty years[12]. Once Americans won their independence, the Congress faced the task of paying off the new nation's debts which were generated after the war of the revolution which took place between the years 1775 and 1783. Alexander Hamilton, the first Secretary of the Treasury, urged Congress to also assume the war debts of the individual states and then create a national bank to help refinance all these debts. Hamilton's proposal faced major opposition. Critics said that Hamilton's bank was unconstitutional, would be a monopoly, and would reduce the power of the states. Although Hamilton won, the bank's charter was limited to 20 years (philadelphia Fed). The first bank of the United States was not a central bank in the modern sense, because the country had few banks then. Yet, with eight branches in different seaport cities, its large size and broad geographic presence gave it influence over the economy, mainly as changes in its lending policies influenced state banks' lending practices.

1-2-1 Controversy over the First American Central Bank 1791-1811

The belief to establish a federal system with a strong central government made Alexander Hamilton induced to write to the Congress a report in December 1790 in which he elaborated his proposal for creating a national bank. Hamilton maintained that creating a central bank could help to issue paper money, provide a secure headquarter to keep public funds, offer banking facilities and investment services for businesses, and be responsible for collecting the government's tax revenues (Federal Reserve Bank of Philadelphia). However, his proposal was confronted with resistance from the public and from the elite alike. His plan of centralizing the power of money supply within the hands of one institution was seen dangerous to the liberties of the people and to the rights of the states.

The national bank, which was planned by Hamilton, would loan the government money and would safely hold its deposits, afford money, and indorse commerce and industry by extending credit. Moreover, Hamilton planned for a way to unite the newly independent country through uniting the economies of the states whose citizens, during those times, used to consider themselves different and independent from each other. According to Hamilton, the establishment of a central bank would make the country acquire a certain financial stability that was needed to lever its economy. Thus, the central banking argument was founded upon a necessity for economic firmness and consistency especially after the revolutionary war that left the country in massive debts (Hill). Hamilton, in his report on the national bank on December 14, 1790, argued that the major benefits of establishing a central bank on three main themes: the augmentation of capital, the availability of emergency funds for the government, and the facilitation of tax payments. He inferred that the advantages of a national bank encompassed assistance "to the Government in obtaining pecuniary aids, especially in sudden emergencies…"facilitating of the payment of taxes," and the promotion of industry by enabling gold and silver to "become the basis of a paper circulation" (J. H. Wood 123).

During its very early days, the bank faced significant controversies. Farmers opposed the bank because they feared it would favor commercial and manufacturing interests over their own, and that it would foster the use of paper money at the expense of gold and silver coins (Kidwell and Peterson 54) .Ownership of the Bank was also another controversial issue. By the time, the bank's charter was up for renewal in 1811, about 80 percent of its stock was owned by foreigners. Although foreign stock had no voting power to influence the bank's operations, outstanding shares carried an 8.4 percent dividend. Another twenty-year charter, it was argued, would result in about $12 million in already scarce gold and silver being exported to the bank's foreign owners (Kidwell and Peterson).

Thomas Jefferson, the Secretary of State, was anxious about the creation of a national bank and he strongly objected Hamilton's proposal. Jefferson thought that creating that kind of financial institution would engender a financial monopoly and consequently, by its turn, would lead to undermining state banks. In addition to his conviction that the bank was unconstitutional, Jefferson believed that creating such a foundation would not serve his vision towards establishing a nation that is chiefly agrarian. He was a strong believer that a country based on banking, business, and the pursuit of profit would eventually and forcibly lead to monopoly and tyranny (Federal Reserve Bank of Philadelphia). Furthermore, he thought that states should have the right to charter banks that could issue money because the Constitution did not give the national government the power to establish a bank. The third president of the US was a champion of limited powers of the central government, natural rights, and he was an antagonist of the federal government intervening in the states (Bassani).

James Madison, founding father and representative in the Congress from Virginia, opposed the bank for similar reasons. In particular, he objected to the bank's proposed 20-year charter arguing that two decades was a very long period for an untried entity in a country so young. Yet, other opponents felt that the bank was an affront to states' rights and would make the states too subservient to the new federal government. Moreover, agreeing with Jefferson, many of the people who opposed the institution of the bank said that the Constitution did not grant the government the authority to establish banks. Besides, others understood that a national bank would have a monopoly on government business, which would be detrimental to the state chartered bank (Federal Reserve Bank of Philadelphia)

Even with many opposing voices that rose in the Congress along with the southern states' total refusal to the establishment of a federal bank, Hamilton's bill cleared both the House and the Senate in the winter of 1791. Hamilton's plan gained support mostly from New England and Mid-Atlantic states. Southern states however, believed that with the creation of a federal financial institution, the federal government would widen its administration and hence would encroach the states' rights (Taylor). The Attorney General Edmund Randolph and Secretary of State Thomas Jefferson reported to the president to exercise his veto power against Hamilton's bill. Washington asked Jefferson and Randolph for their opinions, and even asked Madison to draft a veto message. He sent documents containing Randolph's and Jefferson's comments to his secretary of treasury on February 16, 1791, offering him one week to respond. Hamilton spent one week to work on countering the arguments of his colleagues Jefferson and Randolph. He gathered his thoughts and outlined his opinions before he delivered to the president an extended refutation of his fellow cabinet members' arguments. Washington reluctantly signed the bill two days after he received Hamilton's response and the bill officially became an executive order (Yoo).

1-2-2 Controversies over the Second Bank of the United States 1816-1836

As the first twenty years charter of the first American national bank came up to expire in 1811, Congress began debating its possible renewal. The fact that foreigners, mainly from England (Watkins), held seventy percent of the first bank's shares, and which became the foremost concern of the Congressmen, made them reluctant to precede a renewal. Under the eminent threat of the foreign control of the financial and political lives of the infant country, the voices calling for lapsing the charter became overwhelmingly increasing. Having their national bank owned by foreigners mainly by rich European families would assuredly put the nation's financial and economic stabilities at stake (Todd).

Nearly one year after the expiration of the charter for the First Bank of the US, the country got in a fight against the British in the War of 1812. As the battling progressed, President Madison succumbed to an allurement that Hamilton had dreaded. He started printing unsupported cash, sending to the country's funds and economy into disorder. As the battling heightened, state banks, which could issue their own particular coin at that time, stopped redeeming their notes, which eventually resulted into a bank panic (Todd). During the War, the British troops burned the Capitol and the White House; Madison concluded that Hamilton had been right regarding the need for a national bank, at least in times of crisis (Brand). The idea of creating, again, a national bank was widely opposed by a wide range of politicians and was not yet well understood by the public. Opposition however was defeated and the Second Bank of the US was approved by the Congress in 1816. The congressional representative Daniel Webster [13] who was a strong antagonist of the renewal of the charter said that “[The] Bank is to begin with insolvency. It is to commence its existence in dishonor: It is to draw its first breath in disgrace” (Todd 15)

The bank opened on January 7, 1817 with a 20-year charter. The bank had a startup of $35 million in capital which means 250% bigger than the capital of the First Bank which merely counted $10 million. The two banks had many things in common; the government owned 20 percent of the institution with the rest owned by stockholders, but while stockholders appointed all of the First Bank’s directors, the government appointed five of the Second Bank’s 25 board members (Hammond 232). Like the First Bank. The bank had 25 branches throughout the country because it was very large and by 1830, and due to its size, changes in its lending policies influenced the lending practices of state banks. The Second Bank’s chief functions were the same as the First Bank’s. It functioned as the federal government’s fiscal agent by receiving its revenues, holding its deposits, and settling its payments. Moreover, it made business loans, accepted deposits, and printed bank notes that circulated as currency and could be converted to gold or silver. However, the number of state banks was growing rapidly, and competition between state banks and the Second Bank contributed to its ruin. (The Federal Reserve System).

The examination of the report of the Secretary of Treasury Albert Gallatin[14] (1801-1814) on *Considerations on the Currency and Banking System of the United State*s (1831) shows that the man believed that the Bank of the US was very useful to the Treasury. Among the advantages he enumerated were the safekeeping of the public funds, securing payments by checks and anywhere the bank had offices (78). Gallatin’s standpoint vis-à-vis its constitutionality did not differ from the one advanced by Hamilton. He pointed out that the constitution granted the right to Congress to carry out legislation that is deemed necessary and proper for the wellbeing of the government and of the people (77).

The question of the constitutionality of central banking, which attracted noteworthy debates in 1791 and 1811, did not come up in the debates of 1814, 1815, and 1816. Records of Congressional debates about the issue of the constitutionality of the bank were very little. Representatives Robert Wright[15] of Maryland and John C. Calhoun's[16] from South Carolina delivered the most important speeches about it. According to Hammond (1957), John Calhoun delivered the most outstanding discourse on the subject. Speaking on February 26, 1816, Calhoun took it for granted that a central bank would be supportive in the management of governmental finances. The man, in his speech, shed light on the causes behind the status quo of the national currency and the question whether it was in the power of Congress, by establishing a national Bank, to settle issues related to the national currency.

The emphasis on the independence of the national bank was a precedent in the debates related to the bank. Speaking about the state of the currency, Calhoun overtly said that the establishment of a central bank was opposed to the principles of the federal Constitution. Calhoun’s argument was based on the principles of the Constitution and it was reported as follows:

> The power was given to Congress by that instrument, in express terms, to regulate the currency of the United States. In point of fact… that power, though given to Congress, is not in their hands. The power is exercised by banking institutions, no longer responsible for the correctness with which they manage it. Gold and silver have disappeared entirely. There is no money but paper money; and that money is beyond the control of Congress. (Caldwell 155).

It becomes clear that Calhoun was suspicious of money creation being in the hands of private bankers who would regulate the money of a country whose constitution clearly states that the question of money should not go beyond the Congress. William P. Duval, a representative from Kentucky (1813-1815), was very creative to derive the constitutional power of Congress to establish a national bank from its power to issue bills of credit which put the subject of the constitutionality of the newly established bank, again, at question (Hammond 235-238).

The President Andrew Jackson (1829-1837), who was a strong opponent of central banking, in his first annual message to Congress in 1829, evoked the issue of the possible renewal of the second bank charter[17], which was supposed to expire in 1936, by stating that "Both the constitutionality and the expediency of the law creating this bank are well questioned by a large portion of our fellow citizens, and must be admitted by all that it has failed in the great end of establishing a uniform and sound currency" (Todd 05). Jackson thought that the country's money supply should entail only gold/silver coin coined by the Treasury and any other foreign coin the Congress chose to accept. Eventually, Jackson succeeded in blocking the renewal of the charter for the Second Bank. The US would be without an official central bank until 1913 when the Federal Reserve System was formed.

1-2-3 Conspiracy Theories of Banking System in the United States

"Let me issue and control a nation's money and I care not who makes its laws."

Mayer Amstel Bauer Rothschild (1744-1812); quote spoken in 1790 (Fuqua)

"The real truth of the matter, as you and I know is that a financial element in the large centres has owned the government of the U.S. since the days of Andrew Jackson"

Franklin D Roosevelt, a U.S. president, in a letter written Nov. 21, 1933 to Colonel E. Mandell House (Kolinski).

A conspiracy theory is a tendency that is plotting something by using direct movements and actions to control what is being seen by the general public[18]. The circumstances during which the Federal Reserve System of the US was created made many historians, like Eustace Mullins and bankers like Stephen Mitford Goodson, advocate conspiracy theories to explain the practices and the policies of this institution. Moreover, being established against the principles of the American Constitution and being a privately owned institution in charge of running the nation's money supply and regulating its value, led to the rise of these theories and to attract many current figures including Karen Hudes and Ron Paul. The former was a counselor at the WB and working on unraveling the hidden players behind the monetary and financial scenes and the latter is a US politician who is working on auditing the institution that is in question. This section of the first chapter sets out to explore some of the conspiracy theories by shedding the light on some families, like the Rothschild's, the Warburg's and the Morgan's who are thought to be behind the creation of Federal Reserve.

Mayer Rothschild, a member of the famous Rothschild banking family[19], comprehended that a dominant control of money and credit would eventually arrange for ultimate control and power over finance and even over politics and thus legislation. The private control of credit and money issuance serves as the hidden command of economic management and of the people of the whole nation. On February 25, 1791 the Bank of North America was succeeded by a second central bank, which was chartered as the First bank of the US which was imposed as a result of the intrigues of Alexander Hamilton (Goodson 60). The Secretary of Treasury was working hand in glove with the directors of the Bank of England as it was modeled on that bank. The bank was strongly opposed by future presidents like John Adams and Thomas Jefferson who lately wrote:

> The central bank is an institution of the most deadly hostility existing against the principles and form of our constitution… I believe that the banking institutions are more dangerous to our liberties than standing armies. Already they have raised up a moneyed aristocracy that has set the government at defiance. The issuing power should be taken from banks and restored to the people to whom it properly belongs. If the American people ever allow the banks to control the issuance of their currency, first by inflation and then by deflation, the banks and corporations that grow up around them will deprive the people from all property until their children will wake up homeless on the continent their fathers occupied[20] (Goodson 60)

By the end of the year 1795, the bank had lent $6 million to government, which represented 60% of its capital. Since the bank was concerned with the stability of government finances, it claimed partial settlement of its loans. The government did not have sufficient funds to pay back its debts to the central bank and was therefore forced to sell its shareholding in the bank between the years 1796 and 1802, which eventually made the bank 100% privately owned and among which 75% were held by foreigners (R. E. Search 38). The press variously described the central bank bill as "a great swindle", "a vulture", "a cobra" (R. E. Search 39). Moreover, some Founding Fathers, Like Jefferson, opposed the bill arguing that it was unconstitutional because the power to issue money, regulate weights and measures was the right of the Congress which is elected by the people. The bill to renew the charter for a second bank was defeated by a thin margin of 65 to 64 votes and the bank finally was closed on March 3, 1811 (Goodson 61).

In response to the Congress's refusal to grant renewal to the charter for the Rothschild' Bank in 1811, Mayer Rothschild stated: *"*Either the application for renewal of the charter is granted, or the United States will find itself involved in a most disastrous war" (Robinson 103). The Rothschild's plan was to build up such a debt in fighting this war that the Americans would have to surrender to the Rothschild and allow the charter for the Rothschild owned First Bank to be renewed (Casperson). The Rothschild' "agents provocateurs*"*[21] started fueling discontent in both Britain and America aiming at bringing the two parties into military confrontation. The British started impressing the American sailors and considering them British subjects in a reaction to the French Continental blockade against the British trade (Goodson 62). The Rothschild's were trying to put pressure on the British Prime Minister Spencer Perceval (1809-1812) to enter in a war against the Americans. John Bellingham, who was believed to be a Rothschild's agent, assassinated the Prime Minister when the latter was entering the House of Commons on May 11, 1812. Perceval, who had anti-war standpoints, was succeeded by Lord Liverpool who was an enthusiastic supporter of the war against America (Goodson 64-65) .

In the US, Henry Clay[22] was heading a group of Democratic-Republicans known as "The War Hawks"[23] at the House of Representatives. These young western and southern representatives went very outrageous when Great Britain imposed sanctions on vessels trading with France, including American ships crossing the Atlantic attempting to land on the European ports. The American resentment climaxed when the British started impressing the American sailors and considering them as British subjects (Curato). The "War Hawks" managed to persuade the congress to vote for the war against Britain on the ground that the latter was injuring the American economy during the Napoleonic Wars (Britannica). According to Stephen Mitford Goodson, The house of Rothschild successfully provoked the Americans and forced them to opt for a military confrontation with the British after a series of national humiliations (64).

After the end of the war of 1812, the US was suffering from huge war debts, which increased from $45 million in 1812 to $127 million in 1815. This era was characterized by inflation because state banks were printing bank notes in excess to the amount of gold and silver they had in their deposits. The charter for the Second Bank of the US was renewed because the Federal Government was incapable of shrinking the scope of the inflation that had been resulted from the War of 1812 (Meridian) and James de Rothschild[24] became the main investor in the bank. In 1816, Nathan Mayer Rothschild made his famous statement: "I care not what puppet is placed upon the throne of England to rule the Empire on which the sun never sets. The man that controls Britain's money supply controls the British Empire, and I control the British money supply." (Mullins). To demonstrate the influence of the Rothschild on the world of finance, a German poet Heinrich Heine said about them that “Money is the god of our times, and Rothschild is his prophet." (Anders). .

In 1865, President Abraham Lincoln (1861-1865) began printing $450,000,000 worth of new currency to help support the military during the Civil War because the bankers were willing to charge the government 24% to 36% interest on loans (Sickler). This money was known as green bucks because of the green ink it was printed with in order to distinguish them from the other bills in circulation. Abraham Lincoln was a man of principles and would not agree to dive his country in non-stop circles of debt. Lincoln overtly declared that he wanted to restore the power of money creation from the private investors. He said:

> The Government should create, issue and circulate all the currency and credit needed to satisfy the spending power of the Government and the buying power of consumers. The privilege of creating and issuing money is not only the supreme prerogative of Government, but it is in the Government's greatest creative opportunity (Firth).

Jefferson believed that taking the power of money issuance from Congress and vesting it in one independent institution would drive the country to unforeseeable consequences. After convincing the Congress to pass legislation authorizing him to print money, Jefferson said: “... (we) gave the people of this Republic the greatest blessing they have ever had – their own paper money to pay their own debts...” (Dutton 22).   On the same subject, he stated in 1865, after he knew that Great Britain was supporting the southern confederacy, that “… [He] have two enemies, the Southern Army in front of me, and the financial institutions in the rear. Of the two, the one in my rear is my greatest foe” (Popovich 117). On April 04, 1865, Lincoln was assassinated while attending a play with his wife. Many historians like Melvin Sickler believe that he was assassinated because of the question of money issuance. President James Garfield stated two weeks.

The Gilded Age is appropriately thought to be the golden age of railroads and the age of industrialization. It was a time when the American banking institutions went through intense transformation to surface as the dominant aspect in the US economy. In this era, many bankers arose such as Jay Cooke, who was a prominent American banker and a principal financier of the Union's military effort during the American Civil War. The "Financier of the Civil War", as he was known, sold a lot of federal bonds to the common people that led to the development of a sound fiscal policy which provided the government with the necessary capital to win the war (Jay Cooke).

The failure of J. Cooke & Company after the Civil War was because to its disorder in the Northern Pacific railroad project. As an outcome, a new power emerged in American banking, which would dominate the US investment-banking sector during the Gilded Age (Wicker 02). John Pierpont Morgan, William Henry Vanderbilt and the Rothschild, and others emerged as the strongest financiers in the US after the Civil War and they seized the Reconstruction policy along with most of the economic projects that were carried on in the country. These bankers controlled the money supply in the country and they were financing the government through the control of the banking institutions in the country which permitted to them to put pressure on the government to legislate laws for their favor (Gottschalk 64).

Eustace Mullins is considered nowadays one of the leading conspiracy theorists in the US for his insightful works on the Federal Reserve. Mullins believes that many banking families were behind the fraudulent establishment of a ruthless central banking in the US which was set, according to him, to enslave the American people and for the benefit of those families. Mullins mentioned the Warburg's, Mandell House, Woodrow Wilson, the Morgan's the Rockefeller's for being responsible for taking the power of money issuance and vesting it in the American Central Bank. Mullins' famous contribution was his *The Federal Reserve Conspiracy* (1952) in which he explains the unconstitutionality of the establishment that is in question. Mullins called the Federal Reserve as "the great betrayal" to the American people by assuming the responsibility to Woodrow Wilson who knew that the "uncontrolled oligarchy" was doing something "momentous".

Recently, Karen Hudes has been fighting, for two decades, what she calls the network of global corporate control which is a cluster of banking families that is taking control of numerous central banks including the Federal Reserve. Hudes is an activist and politician who describes the international monetary system; in which the Federal Reserve is the most important institution, as a corrupt one. She believes that the Federal Reserve's nonstop money supply strategy will cause; in the near future, a currency war because the dollar that is printed nowadays is a fiat one which means it is actually valueless. Media, according to her, is responsible for this corrupted system because it is owned by the same companies that own the central banks. The Federal Reserve was instituted in 1913 when most of the Congress was on brake; Hudes thinks that this was, by itself, strong evidence that this institution is unconstitutional.

The (un)constitutionality of the Federal Reserve and its independence from governmental and judicial review, in addition to the meeting that was mysteriously and secretly held in 1910 and which paved the way to its creation, are the reasons behind the evolution of conspiracy theories around this institution. Some believe that these theories are fictional and are not realistic, but others argue that there facts on the ground that prove their standpoints from this institution. It is true that some theories are somewhat exaggerated, but they still reflect some hidden truths about this mysterious institution whose currency is the dominant in the world.

1-3 The Federal Reserve System: 1913 (The American Central Bank)

The era between the Civil War and WWI was very crucial in turning the US into not only an economic power, but more essentially, into a country that controlled the global financial sources. This period, which is known in history as the Gilded Age, stimulated the country's economy, gave birth to industrial cities like Chicago and Los Angeles and many others, which gradually became urban. By the end of the nineteenth century, big conglomerates conquered many economic activities in the US. State/ federal laws and judicial resolutions were the causes in precise that led to this dominance. These two factors paved a legal ground that preferred the emergence of corporations that depended on technological innovations in transportation and communications.

According to Matt Phoenix, politics during the Gilded Age was very Fraudulent and was dominated by businessmen and corporations that inclined the general public during the elections for the favor of some politicians. Therefore, the government's reputation was put into a very negative image after the broke out of many scandals. This enlargement in manufacturing, in business and in banking, put pressure on the American government to legislate for their favor. The cause was the will of the manufacturers to provide a suitable economic environment for their business. Those interest groups tried at any time possible to influence the government legislations that concern their cause like tariff issues.

1-3-1 The Setting up of Strong Financial Institutions (1907-1913)

At the beginning of the twentieth century, the US had already employed and removed two central banking systems which were both chartered for twenty years (the First Bank from 1791 to1811 and the Second Bank from 1816 to1836). During the first decade of the 20th century, the Morgans and the Warburg's, which were dominant families in banking and business, sought to push legislation to create another central bank. According to Joseph Peter[25], the panic of 1907 was created by J.P Morgan who exploited his mass influence by publishing rumors that prominent banks in New York were insolvent or bankrupt which resulted in mass hysteria among the people who feared to lose their deposits and soon began wide withdraws.

The consequences of those big withdraws of deposits became severe due to a decrease in money supply. Amid diminishing liquidity and escalating unrest, J.P Morgan took advantage and stepped in. Gary Allen, an American conservative journalist evoked the subject in his book *None Dare Call it Conspiracy* (2014) in which he points out that bankers created series of panics to convince the country that they needed a central banking system. Under the National Banking System which was established in 1863, the nation's supply of currency consisted of a fixed amount of government currency (green bucks) and notes issued by national banks. In principle, the amount of national banknotes in circulation could increase when the public's demand for currency rose, but it was felt that in practice the response was inadequate that the supply of currency was too inelastic to respond to the demand for currency. The man in charge of conducting these lessons was J. Pierpont-Morgan who tried to convince the people that the national banking institution could not control the panics and so the country was in need of a new monetary system.

J.P. Morgan is referred to by many, including Congressman Louis McFadden, (a banker who for ten years headed the House Banking and Currency Committee), as the top American agent of the English Rothschild. Ron Chernow in his book *The Death of the Banker* (1997) offers this account of the 1907 Panic and wrote:

> In the following days, acting like a one-man Federal Reserve system, [J. Pierpont] Morgan decided which firms would fail and which survive. Through a nonstop flurry of meetings, he organized rescues of banks and trust companies, averted a shutdown of the New York Stock Exchange, and engineered a financial bailout of New York City (Bagwell).

Morgan’s interests in precipitating bank panics surfaced among many testimonies. His willingness in installing a new banking system became very suspicious during times when there was no central bank in the US.

Life magazine of April *25,* 1949, interviewed the historian Frederick Lewis Allen on the Morgan's role in spreading rumors about the bankruptcy of some American banks, the rumors which were deemed the cause behind the panic of 1907, Allen answer the question: "Did Morgan precipitate the panic?" by confirming Morgan’s responsibility. Allen reported:

> Oakleigh Thorne, the president of that particular trust company, testified later before a congressional committee that his bank [the Knickerbocker Bank] had been subjected to only moderate withdrawals … that he had not applied for help, and

> that it was the [Morgan's] 'sore point' statement alone that had caused the run on his bank (Kirchubel 99)

From Throne's testimony, Allen added, in addition to the punitive procedures taken by the Clearing House against the Heinze, Morse and Thomas banks, many historians arrived at the conclusion that Morgan's interests took advantage of the disturbed circumstances during the fall of 1907 to precipitate the panic in question (99).

During 1907, Paul Warburg[26] devoted his time to write about the absence of a central bank and that the current banking system needed reform. Nelson Aldrich, "the Morgan's floor broker in the Senate"[27], was the man who was working with Warburg in promoting proposal for installing a new monetary reconstruction. Aldrich's daughter Abby married John D. Rockefeller Jr and thus becoming a family member (Rutland 141). According to many, the panic of 1907 was mainly a bankers' panic. Due to the fact that our system of finance rests the protection of the financial firmness of the country upon the individual reserves in banks, panics are highly to be expected in case of economic turmoil. In 1907, the banks failed to act as a whole because their first consideration was the protection of their own reserve (Iden 05). The instant outcome of this panic was the enactment of a transitory measure known as the Aldrich-Vreeland emergency currency act, which was to terminate by limitation on June 30, 1914. This act allowed the consolidation of national banks into associations like clearing houses and the issuance of "emergency" cash in times of stress upon specific securities endorsed by the authority of these associations and the government (Iden 06).

The National Monetary Commission of 1908-12, which was created after an act to amend the national banking system, was required to inquire into and report to Congress what changes were necessary or desirable in the monetary system of the US. The commission had the power to examine witnesses and to make such investigations and examinations, inside the US or abroad, of the subjects vested to its authority so that it can investigate the laws relating to finance and currency that best serve the interests of the country (Shelton). Its investigations had been conducted through enquiries and inspections by members and representatives of the commission, and by experts who prepared papers and monographs on the subjects. They undertook an immense study of the history of banking and monetary arrangements in the US and in other economically advanced countries.

The Commission found upon investigation the following financial and monetary deficiencies in the national banking system and urged for a quick reconstruction in order to avoid unpredicted panics like the one of 1907: First, The American financial system lacks provisions on the concentration of the cash reserves of commercial banks and lacks provisions on the mobilization and use of those reserves in times of in times of financial and monetary upheavals. The report concluded on this matter that “the scattered cash reserves of our banks” are inappropriate for a good defense during times of troubles. Second, Obsolete Federal and State regulations forbade banks from lending their reserves and put restrictions on the use of their cash reserves. The report concluded that during unusual demands of loans, cash reserves should be used freely. Third, the American hanks lacked necessary tools for use at any time to reload their reserves or raise their borrowing powers when needed to respond to both normal and unusual demands of loans (Shelton)

The above three defects and many others, that have been outlined in the report, all emphasized the need for the establishment of a national financial institution that would run the monetary affairs of the country. The report defined clearly the plan, which was proposed by Senator Aldrich at the beginning and which the commission apparently approved. The concluding outcome of this investigation was the Federal Reserve Act of 1913, which founded the Federal Reserve System as the American central bank. This act provided for a system of twelve reserve banks scattered throughout different regions of the country .This act however, resulted, in part, in an American's antipathy towards centralized monetary authority.

1-3-2 The Jekyll Island Meeting: the Road towards the Federal Reserve Act of 1913

Soon after the 1907 panic, Congress created the National Monetary Commission (NMC) to reconsider banking strategies in the US and Senator Aldrich of Rhode Island presided the committee. In November of 1910, He encountered numerous financiers and scholars on Jekyll Island, which was owned by JP Morgan. This meeting was mysterious and was camouflaged from the government and from the public knowledge alike (Joseph).According to Mullins, the Jekyll Island secret conference's attendees returned to New York City to animate a countrywide "propaganda campaign" in favor of the Aldrich Plan which championed the idea of the creation of central banking system. Three of the prominent institutions of higher education, Harvard, Princeton, and the University of Chicago, engaged in a rally to promote for the agenda that was set out by the secret conference. Mullins added that banks across the country were required, by the attendees to the conference, to help in raising a five million dollars fund to convince the public opinion that a central bank was needed and thus the Congress should enact a law to establish one (25). The interests of the participants in the secret meeting on the Jekyll Island were very noticeable in the Aldrich Plan. Some political figures like Nelson Aldrich and other owners of some prominent banking institutions in the

US like the Warburg's and the Morgan's, managed to draw a plan (known as Aldrich Plan) to create an institution that was and still regarded as unconstitutional by many scholars and politicians like Ron Paul and Marin Katusa.

Bertie Charles Forbes, the founder of the Forbes Magazine, in some way heard about the conference in Jekyll Island and published about it in 1916 in *Leslie's Weekly*[28]. His publication was seen again a few months later in another article in the magazine of *Current Opinion*. Yet In 1917, in his *Men Who Are Making America*, which was a series of biographies of influential tycoons, like Davison, Vanderlip, and Warburg, Forbes rewrote about the secret conference (Richardson et Romero). In the meantime, the attendees at the conference refused for twenty years to admit that there was a meeting on Jekyll Island. In 1930, Warburg published a two-volume book in 1930 in which he outlined the origins and the structure of the Fed. Yet Warburg did not mention the meeting by name but he stated that:

> In November, 1910, I was invited to join a small group of men who, at Senator Aldrich's request, were to take part in a several days' conference with him, to discuss the form that the new banking bill should take… The results of the conference were entirely confidential. Even the fact that there had been a meeting was not permitted to become public (Warburg 58- 60).

This revealation of Warburg about him joining a group of people to discuss the new banking system strenthens the idea that the meeting was concealed from government and public knowledge because they feared that Congress would not accept their plan (which became the Aldrich's Bill) if they knew that prominent bankers from New York helped in shaping the structure of the proposed plan.

The legislation that eventually came as the outcome of the Jekyll Island secret meeting was the Federal Reserve Act of 1913, also known at the time as the Currency Bill, or the Owen-Glass Act[29]. The bill called for a system of eight to twelve mostly autonomous regional Reserve Banks that would be owned by the banks in their region and whose actions would be coordinated by a Federal Reserve Board (FRB) appointed by the President of the US. The Board's members originally included the Secretary of the Treasury, the Comptroller of the Currency, and other officials appointed by the President to represent public interests. (The New York Times).

After the submission of the Aldrich plan to the Congress, the representative Charles A. Lindbergh stated on December 15, 1911, when testifying to the Committee on Rules, that a money trust was being amalgamated to work for the benefit of its corporations. Lindbergh said about what he believed was a corrupted plan:

> Our financial system is a false one and a huge burden on the people . . . I have alleged that there is a Money Trust. The Aldrich plan is a scheme plainly in the interest of the Trust . . . Why does the Money Trust press so hard for the Aldrich Plan now, before the people know what the money trust has been doing (Pugh 32).

Lindbergh was aware of the plan that was laid out on Jekyll Island. He was very suspicious of a birth of a money trust that would kidnap the financial decision-making for the benefit of their companies.

After an intense campaign, planned by financial companies, the Federal Reserve Act of 1913 went through Congress during the Christmas Eve when many representatives in the

House were home on holidays. President Woodrow Wilson eventually surrendered to pressures coming from the money trusts and accepted to sign the bill on December 23, 1913. The act formed the Federal Reserve System with twelve branches and operating as the central bank of the US. According to Daniel H. Marchi in his *Past Future Power Belongs to the Reserved Power Clause* (2013), the name given to the central bank was prudently selected and designed to deceive the public opinion. The term "Federal" would make people believe that this monetary institution belongs to the Federal Government in Washington D.C. and the term Reserve would lead them to think that the dollar currency is being backed by a precious metal whereas the term "System", was employed instead of the word "bank" to avoid questions on its constitutionality (191).

Some years after the signature of the Federal Reserve Act of 1913, the president Woodrow Wilson wrote in regret that his country became under the mercy of its system of credit which was controlled by few men. Wilson wrote in regret:

> I am a most unhappy man. I have unwittingly ruined my country. A great industrial nation is controlled by its system of credit … The growth of the nation, therefore, and all our activities are in the hands of a few men … No longer a government by free opinion, no longer a government by conviction and the vote of the majority, but a government by the opinion and duress of a small group of dominant men (Schechter 132)

Wilson was the president who signed the Aldrich’s bill making it the act that created the Federal Reserve System. Many modern critics put the blame on his shoulders accusing him of giving the power of money issuance to a private institution. This violates the American

Constitution which vests the power of creating money and regulating its value in the Congress.

Lindbergh tried to rally an impeachment effort against members of the FRB including Paul Warburg and William Proctor Gould Harding. Lindbergh charged them with involvement "...in a conspiracy to violate the Constitution and laws of the United States..." (Mass). Lindbergh spoke fervidly against the proposed Federal Reserve Act, stating that "This Act establishes the most gigantic trust on earth". He believed that when Woodrow Wilson signed the Act of 1913, he helped to create "the invisible government" that was existed by an incorporation of money trust. Lindbergh concluded that, by the creation of the Fed, the money power would intimidate the Congress and the president of the US to legislate for their favor (Congressional Record, Vol. 51, p. 1446. December 22, 1913). According to Lindbergh, this act could lead to a rising and falling market or could cause violent changes by a larger rate variation. Lindbergh believed that this was "the strongest, most dangerous advantage ever placed in the hands of a special privilege class by any Government that ever existed" (Callan). The system was private, conducted for the sole purpose of obtaining the greatest possible profits from the use of other people's money. According to him, the money trustees know exactly when to when to deliberately cause panics to their benefit and they also know when to break them (Kirchubel 146).

This system benefited the bankers who drafted the Federal Reserve Act, by preventing any future banking restructuring efforts, as the Federal Reserve becoming the creator of currency in the country and the regulator of its value. The system also gave to the bankers the right to create money supply based on a fraudulent system of fractional reserve banking and allowing them to loan out this money at interest. In other words, the US Federal Reserve has effectively centralized control of the nation's money supply in the hands of only a few men.

1-3-3 The (UN) Constitutionality of the Federal Reserve Act

The (un) constitutionality of central banking in the US has always been dilemmatic since 1791 when the Founding Fathers chartered the First Bank of the country. Dilemmatic because no clause in the American Constitution countenances the establishment of a central bank from one hand, and because of the need expressed by bankers and some government officials to regulate the currency from the other hand. The American Constitution states clearly in Article 1 section 8 that “The Congress shall have power… To coin Money, regulate the Value thereof…”[30] which makes the monetary and financial affairs the exclusive duty of the Congress of the US. However, opponents of the previous stand resort to “the necessary and proper clause”[31] to defend their view vis-à-vis the constitutionality of central banking. They argue that clause 18 which is located in article 1 section 8 of the Constitution states that “The Congress shall have Power ... To make all Laws which shall be necessary and proper for carrying into Execution the foregoing Powers, and all other Powers vested by this Constitution in the Government of the United States, or in any Department or Officer thereof …”. The proponents to the creation of a central bank established their argumentation on this clause by contending that the constitution licensed the congress to do what is necessary and proper for the welfare of the nation.

The American Constitution counts many powers of the legislative branch, varying from chief powers, such as the powers to regulate interstate and foreign commerce, to minor powers, such as the power to establish post offices. But today, there are many powers that are exercised by Congress that are not actually enumerated in the Constitution at the first place. The power to create a central bank originated from the "the necessary and proper clause", called at different times the "Elastic Clause," the "Sweeping Clause," and the "Necessary and Proper Clause", which was the constitutional basis for the establishment of the Federal Reserve System. In other words, Congress is not limited to the powers actually expressed in the Constitution, but also has implied powers that permit to Congressmen to make laws necessary to ensure that their expressed powers can be carried out. According to Gary Lawson and Neil S. Siegel, professors of law at Boston and Duke Universities respectively, the "necessary and proper clause" needs a closer analysis of the words necessary and proper. Necessary and Proper Clause recommends three criteria for a national law to be within its range: Laws enacted pursuant to the Clause must be necessary, proper, and for carrying into execution some other federal powers.

Proponents of strict interpretation of the Constitution call the Federal Reserve Act a fraud because the removal of the system of money issuance from Congressional control and supervision made the entire proposition unconstitutional from its inception, because the institution that is in question would be a bank of monetary issuance, and Congress is explicitly charged in the Constitution with this power. According to Eustace Mullins in his *The Federal Reserve Conspiracy* (1954), the enactment of the Federal Reserve Act meant that the legislative branch of the Government would lose its authority and sovereignty to an independent institution that is owned by the private sector, and that the system of checks and balances which was set up by the founding fathers would be smashed. Mullins believes that the Administrators of the Federal Reserve System would control the future question of the nation's money and credit, and would therefore control the government monetary policies (11).

The twelve regional Federal Reserve Banks are supervised by a governor who presides the Board of Governors of the institution. This Board, which is an independent board, and its chairperson is appointed by the US president and is confirmed by the Senate. However, the presidents of the regional federal banks are appointed by a board of directors encompassed of private sector agents. Critics argue that these officials naturally have strong ties to the bankers. They assume that this system violates the constitutional law because public policy makers are being appointed and not elected. These appointed administrators will exercise policies that will influence the nation's financial dealings and economy and therefore the public needs to see more transparency and accountability within this organization. Though the American government is democratically elected and thus the public has impact over elected officials in every branch of the government, yet has no say in who is appointed to the central bank or how it manages the economy (Walton).

Representative Louis T. McFadden (1915-35) was a cashier and then president of the first National Bank in Canton, Ohio. He served as Chairman of the Committee on Banking and Currency for twelve years, making him one of the chief financial authorities in the country. He was known for his continuous fight against the Federal Reserve for fiscal integrity and for a return to constitutional government (Schauf 4). McFadden's speeches on Congress on June 10, 1932, evoked that the FRB has cheated the government and the people alike. The depredations of the FRB and the twelve branches of the Federal Reserve costed this US money huge enough to pay back the national debt many times (Hatonn 7). McFadden believed that money trustees were exploiting the people of the US to meet the demands of their foreign clients for the sake of maintaining the profits of their banking cartels. The Congressman from Minnesota accused the Federal Reserve of the misery that was sweeping the country during the 1930's by asking the Congress to make the FRB fully accountable (Hackmann 549). On the question of Media control, McFadden stated that $500,000 was spent on the propaganda that was planned by money trustees for the purpose of deceiving the public opinion about the newly establish institution (Hatonn 120).

Thomas D. Schauf is a national speaker to Certified Public Accountants and business leaders. Mr. Schauf, whose expertise includes banking, economy and business, in his *The Federal Reserve Unconstitutional Money Regulations* (1992) Schauf explains the biased media coverage vis-à-vis the issue of the Federal Reserve. He believes that half the states of the country have now grass roots movements calling for the abolishment of this unconstitutional constitution but mass media is ignoring their actions. In July, 1968, the House Banking Subcommittee stated that Rockefeller, through Chase Manhattan Bank, controlled 5.9% of the stock in Columbia Broadcasting System (CBS) (5). In 1974, Congress delivered a report asserting that Chase Manhattan Bank's stake in CBS mounted to 14.1% and in National Broadcasting Company (NBC) to 4.5%. The same report alleged that the Chase Manhattan Bank owned stock in other 28 broadcasting firms (Bowers 47). According to Schauf, it only necessitates 5% ownership of a media company to considerably influence its News coverage policies (5). These facts explain why the question of the Federal Reserve's unconstitutionality in mainstream media is rarely aired on their shows and programs.

To wrap up this section, nothing is better than Ron Paul's[32] efforts to audit the Fed. According to the 2012 presidential candidate, the Federal Reserve' policies are damaging the lives of most Americans and that those who exploit the cycles of monetary policy are responsible for the economic depressions that wipe out the county periodically. Those who benefit from this system are those who have access to “artificially inflated money and/or credit before the inflationary effects of the policy impact the entire economy”[33]. Politicians who favor big spending policies count on the Federal Reserve which create an inflated currency to hide the true costs of the “welfare-warfare state”[34]. According to Paul, abolishing the Federal Reserve will allow Congress to reaffirm its constitutional sovereignty over monetary policy and issuance. The American Constitution expressly vests in Congress the authority to create money and regulate its value which makes the issuance of money beyond the Congress’s supervision entirely unconstitutional.

Conclusion

The presence of private interests behind the establishment of the Federal Reserve is no longer doubtful. Among the attendees to the Jekyll Island meeting in 1910, which was the meeting that planned for the creation of a central bank for the US, there were very influential bankers namely Paul Warburg, Frank Arthur Vanderlip and Henry Pomeroy Davison (who was representing the very powerful banker J.P. Morgan). The Federal Reserve’s website insists that the institution is not a private corporation and is not operating for the sake of raising profits. This contradicts the fact that one hundred percent of its shares are owned by private banks and none of them are owned by the government (Brown). Many Americans believe that the twelve regional banks of the Federal Reserve are Governmental establishments, but in fact they are private money trustees which exploit the central banking system of the US for the benefit of their commercial banks. Some of the private bankers across the country serve in banks of the Federal Reserve as members in their boards of governance and so their interests are well maintained.

Ellen Brown, a regular contributor to the Global Research Centre[35], explains thoroughly the private benefits that are generated from the fractional reserve system of the Federal Reserve banks. Brown states that private banks generate profits from the bonds that they purchase them from the government and sell them back to the Federal Reserve. Those bonds became reserves for the banking establishments which use them to back their loans from one hand and lend them at interest for many times. Thanks to Fractional Reserve system, those banks are allowed to lend those reserves many times in a process that creates money from nothing. Wright Patman, Chairman of the House Banking and Currency Committee in the 1960s, described the Federal Reserve as "a total money-making machine." Patman wrote: "When the Federal Reserve writes a check for a government bond it does exactly what any bank does, it creates money, it created money purely and simply by writing a check." (Brown).

In recent times, many voices, like Ron Paul, have raised calling for the audition of the Federal Reserve due to its unconstitutionality from one hand and for its full independence from the other hand. The institution in question is believed to be the one responsible for the financial crises in the US. Bill Posey, a Florida Republican Senator, asked in July 2017 the present chair of the Federal Reserve Board, Janet Yellen (2014-2018), why she is against a bill that would permit the Government Accountability Office, which is a unit of Congress, to check the Federal Reserve and examine its decisions on interest rates, Yellen responded that such a bill "would ruin the central bank's credibility by eliminating its independence"[36]. The full the independence of the Federal Reserve is the foremost reason why its operations are concealed from public government knowledge. Transparency is highly required with monetary issues because it gives legitimacy to the institution and opens no door for misinterpretations of the Federal Reserve's decisions.

End notes

[1] Xenophon was a Greek philosopher, soldier, historian, memoirist, and the author of numerous practical treatises on subjects ranging from horsemanship to taxation.
Internet Encyclopedia of Philosophy, www.iep.utm.edu/xenophon/.

[2] Augustus (63 B.C.-A.D. 14) was the first emperor of Rome. He founded the Principate, which was a form of government by which Rome governed the empire for around 300 years. "Augustus." Encyclopedia of World Biography, Encyclopedia.com, www.encyclopedia.com/people/history/ancient-history-rome-biographies/augustus.

[3] A chartered bank is usually a financial institution that is given permission by the government to operate and to do business in the banking sector and it can be obtained only by an act of legislation.
"Function Supervising and Regulating Financial Institutions and Activities".
https://www.federalreserve.gov/aboutthefed/files/pf_5.pdf

[4] Minimum capital was set at 100.000$
<Klebaner, Benjamin Joseph. American Commercial Banking: A History. Boston: Twayne, 1990. 13>

[5] It is considered to be the first Swedish parliamentry institution in the country.
< Riksdagsförvaltningen. "The History of the Riksdag." Riksdagen, 20 Mar. 2016, www.riksdagen.se/en/How-the-Riksdag-works/Democracy/The-history-of-the-Riksdag/.>

[6] The Continental Congress was the governing institution by which the American government during the American Revolution coordinated their resistance to British army .
< U.S. Department of State, U.S. Department of State, history.state.gov/milestones/1776-1783/continental-congress. >

[7] An inflation-averse is a monetary policy that tries to avoid high inflation rates. (inflation-aversion = inflation-avoiding)
Wang, Gaowang, and Heng-Fu Zou. "Inflation Aversion and Macroeconomic Policy in a Perfect Foresight Monetary Model." Economic Modelling, vol. 28, no. 4, 2011, pp. 1802–1807., doi:10.1016/j.econmod.2011.03.002.

[8] Expansive monetary policy means the increase of money supply to boost economic activity which most likely leads to high rates of inflation.
"Goals of Expansionary Monetary Policy." Chron.com, smallbusiness.chron.com/goals-expansionary-monetary-policy-3869.html.

[9] John Maynard Keynes was very influential during the 1940's and 50's of the last century as an entire school of modern economics took his name. Many of his thoughts were deemed revolutionary and contentious.
"John Maynard Keynes." John Maynard Keynes: The Concise Encyclopedia of Economics | Library of Economics and Liberty, www.econlib.org/library/Enc/bios/Keynes.html.

[10] Commercial bank money is referred to by various names, including bank deposits, sight deposits, demand deposits, time deposits, term deposits, bank liabilities and bank credit.

[11] Franklin D Roosevelt, a U.S. president, in a letter written on Nov. 21, 1933 to Colonel E. Mandell House (Lincoln 303).

[12] The central bank of the United States, which is known now as the first Bank of the United States, opened its doors in Philadelphia on December 12, 1791, with a twenty-year charter. Branches of the bank were opened in many cities like Boston, New York, e in 1792, Norfolk (1800), Savannah (1802). The bank's board comprised of twenty-five directors. The first Bank of the United States started off with a capital of $10 million. 20 % of which was owned by the government and the remaining 80% million by private investors. The private control of the bank became dilemmatic and the thus the question of its constitutionality was raised.
Hill, Andrew T. "The First Bank of the United States." Federal Reserve History, www.federalreservehistory.org/essays/first_bank_of_the_us.

[13] He served as representative for New Hampshire (1813-1817) and for Massachusetts (1823-1827)
U.S. Department of State, U.S. Department of State, 2001-2009.state.gov/secretary/former/40885.htm.

[14] (January 29, 1761 – August 12, 1849) He served as a Representative, Senator, United States Ambassador and was the longest-serving United States Secretary of the Treasury

Edward Breneiser: My Year Down the Rabbit Hole: National Parks on the Air. Lulu.com, 2017. pp 163

[15](November 20, 1752 – September 7, 1826) He studied law in Kent Free School (later Washington College) of Chestertown. Served as a congressman from Maryland from 1810 to 1817
Library, World eBook. “Robert Wright (Politician).” Robert Wright (Politician) | World EBook Library - EBooks | Read EBooks Online, newspaperslibrary.org/articles/eng/Robert_Wright_(politician).

[16] (March 18, 1782 – March 31, 1850) He was an American statesman and political theorist from South Carolina, and the seventh Vice President of the United States.
Capers, Gerald M. “John C. Calhoun.” Encyclopædia Britannica, Encyclopædia Britannica, Inc., 15 Nov. 2017, www.britannica.com/biography/John-C-Calhoun.

[17] The second bank of the US was chartered for twenty years starting from 1916 and to expire in 1936

[18] This definition is brought by Jeffrey ahann from the steemit.com. Ahann explained the connection between some strong bankers and government in article he published on the website in septembre 2017

[19] A very strong banking family from Frankfurt

[20] Letter to Major John Cartwright June 5, 1824

[21] One employed to associate with suspected persons and by pretending sympathy with their aims to incite them to some incriminating action. Merriam Webster online dictionary

[22] Henry Clay was a 19th century U.S. politician who served in Congress and as secretary of state under President John Quincy Adams.
U.S. Department of State, U.S. Department of State, history.state.gov/departmenthistory/people/clay-henry.

[23] the expansionists primarily composed of young Southerners and Westerners elected to the U.S. Congress in 1810, whose territorial ambitions in the Northwest and Florida inspired them to agitate for war with Great Britain
The Editors of Encyclopædia Britannica. “War Hawk.” Encyclopædia Britannica, Encyclopædia Britannica, Inc., 19 Jan. 2017, www.britannica.com/topic/War-Hawk.

[24] Born Jacob Mayer Rothschild, was a German-French banker and the founder of the French branch of the Rothschild family.
Hitchcock, Andrew. “The History Of The House Of Rothschild.” The History Of The House Of Rothschild, 31 Oct. 2010, www.rense.com/general88/hist.htm.

[25] An American non-profit movie maker and

[26] Paul Moritz Warburg (August 10, 1868 – January 24, 1932) was a German-born American banker from a Jewish family and early advocate of the U.S. Federal Reserve system
“Paul M. Warburg.” Federal Reserve History, www.federalreservehistory.org/people/paul_m_warburg.

[27] Newspapers used to call him so because he was close to Morgan and to other bankers namely Rockefeller.
Robert Allen Rutland. The Republicans: From Lincoln to Bush. University of Missouri Press, 1996. p 141

[28] This article was published on October 19, 1916 p. 423. The magazine was known with different names like Frank Leslie's Illustrated Newspaper, Leslie's, Leslie's Weekly and other titles. It lasted from 1855 to the 1920's.
Leslie's Weekly, www.magazineart.org/main.php/v/massweeklies/lesliesweekly/.

[29] Robert Latham Owen was a senator from Oklahoma (1907-1925) and Carter Glass representative from Virginia (1902-1918) worked together with the president Wilson to pass the Federal Reserve Act of 1913 or what was known by then as Glass-Owen Act.
“Carter Glass.” Federal Reserve History, The Federal Reserve of Richmond, www.federalreservehistory.org/people/carter_glass.

[30] U.S. Constitution. Art. 1, Sec. 8

[31] « The necessary and proper » clause, also known as the elastic clause, is a provision in article one of the American constitution. This clause grants the power to Congress to do what is necessary and proper for the welfare of the nation. This clause permitted to the Congress to develop many implied powers; powers that are not outlined in the Constitution.

[32] Ron Paul is an American politician advocating the voice for liberty, prosperity and peace. Ron served as As member of the House and stood for presidential candidacy for three-time. Ron Paul supports the principle of states’ rights and limited constitutional government. He is very known for his stand against the Federal Reserve System considering it as an unconstitutional institution.

"Who Is Ron Paul?" Who Is Ron Paul?, www.ronpaul.com/who-is-ron-paul/.

[33] An excerpt from Ron Paul's speech in the House on July 17, 2003, in which he insisted that the Congress should introduce legislation to restore financial stability in the country.
Congressional Record, V. 149, PT. 14, July 17, 2003 to July 25, 2003

[34] This concept of Welfare-warfare state was actually popularized by Murray Rothbard
Stromberg, Joseph R. "Historians and the Welfare-Warfare State." Mises Institute, 18 Aug. 2014, mises.org/library/historians-and-welfare-warfare-state.

[35] To read more on how the Federal Reserve generates profits for its shareholders , go to
Brown, Ellen. "Who Owns The Federal Reserve?" Global Research, 15 July 2017, www.globalresearch.ca/who-owns-the-federal-reserve/10489.

[36] Janet Yellen, the chairperson of the Federal Reservebetween 2014 and 2017, when answering questions in the congress about the legislating laws that would put limitations on the Fed's independence.
Gillespie, Patrick. "Yellen battles congressman over Fed independence." CNNMoney, Cable News Network, 12 July 2017, money.cnn.com/2017/07/12/news/economy/yellen-posey-audit-the-fed/index.html.

Chapter Two: The Federal Reserve System, World War I and World War II

Introduction

At the beginning of the twentieth century, the US experienced dramatic changes in its political economy like the development of investment banking and bond market. There was a clear inclination towards a free banking system and government's reliance of capital on private financiers. Thus, the financial markets in the country grew rapidly and the demand for credit blossomed regardless of business conditions. This monetary explosion coincided with a burgeoning arms industry. The first years of the twentieth century were an era of colonization; different nations resorted to the US looking for loans to buy arms especially with the robust growth of New York as a domestic and international money power. Banks create money out of nothing and lend it to people, governments and foreign investors, and then they demand the money they created back, together with interest. Banks, therefore, own a greater percentage of the property and money in circulation, and hence are getting a greater share of the world's wealth and power.

After the introduction of the Federal Reserve, Congressman Charles Lindbergh, also an author, made an observation on the American monetary system by stating that since the American Civil War, the legislative branch has allowed the financiers to fully put the country's money legislation under their command. The Finance Committee in the House of Senate and the Committee on Banking and Currency in the House of Representatives had been subject to the bankers' influence through their agents and attorneys. These committees of the Congress, according to Lindbergh, have been controlling the bills reported to the Congress, their extension, and the different debates that were held during Congressional sessions.

Lindbergh asserted that membership in these committees was very restricted to those who were lenient with the banker's interests. Lindbergh said about this issue that "No one who is not in the committees is recognized, unless someone favorable to the committees [the banking interests] has been arranged for" (Griffin 443).

This chapter argues that there is a tight connection between the creation of the Federal Reserve in 1913 and the outbreak of WW I and II**.** The nature of the American banking establishment headed by this institution, which is a money-supply machine that lends money to governments and private corporations at interests, is deliberately responsible for WWI to many scholars like Eustace Mullins. On February 14, 1917, an article published by the New York Times revealed that Congressional records included a demand for an investigation against J.P. Morgan who purchased control of 25 great newspapers in the US to further the preparedness campaign which was aiming at turning the American public opinion in favor of US entry into World War I (The New York Times).

This struggle that existed between the Houses of Morgan's and Rockefeller's from one side and the American government from the other side, is best described by Murray Rothbard[1] ,in his analysis of modern American history, "as a great power struggle between economic elites" (Raimondo). Rothbard in his monograph *Wall Street, Banks, and American Foreign Policy* (1984), examines how "big business" and other moneyed elites have steadily "controlled American domestic and foreign policy to the detriment of free markets" (Raimondo, Big Business, War, and Rothbard's Class Analysis). The influence of private interests on the American foreign policies which turned it into a militarized government that would strike anytime for the benefit of those big businesses who got control of the world of money and finance.

The chapter examines the correlation between the American banking cartels and the rise of Hitler through demonstrating the link that emerged between some American and German corporations. It argues that those who were behind the rise of Hitler, who eventually took Europe into a second world war, were behind the German reparations after WWI. The Chapter argues that the American banking system played a very important role in providing sufficient funds to the American Government and its Allies and during the two wars. It outlines the benefits that had been accumulated by bankers due to the US involvement in the wars to evoke the connection that emerged between Wall Street and the Government's military choices.

2-1 The Correlation between the Federal Reserve and World War I

The 1917 amendment, signed into law on June 21, 1917, by President Woodrow Wilson, permitted to the Fed's regional banks to increase their note issue power (Fishe 309). This amendment came into effect two months after the US declared a war against Germany. It is clear that the 1917 amendment was passed by Congress to provide the country with the necessary funds to its Department of Defense during WWI. On April 6, 1917, when the US officially entered the war against the Germans; it was estimated that the expenses of the first year would count $4 billion with $2 billion to be raised from bond sales. Raymond Fishe, in his *The Federal Reserve Amendments of 1917: The Beginning of a Seasonal Note Issue Policy* (1991) assumed that if the American people failed to support the war effort, the financial burden of the war would be assumed exclusively by the Federal Reserve. He believes that the 1917 amendment helped the twelve Federal Reserve banks to support the $2 billion bond issue. Printing those amounts of money and then lending them to the American government at interests permitted to the dollar to finance a growing share of world trade.

2-1-1 Financial and Military Mobilizations during World War I

From the beginning of the American history in 1789 until the First World War, the US had been a debtor nation. The American net debts which were about $75,000,000 in 1803 had risen to $1,500,000,000 in 1869 and to $3,686,000,000 in 1914. This progress of financial obligations took place despite the growth in the America's foreign investments (H. Faulkner 86). Harold added that the European purchases of the American materials during WWI did not only shift the position of the US to a creditor but it turned it to be the world's financial capital (87). The *Journal of Commerce* reported that the total amounts loaned to the Allied nations from August, 1914 to April 1, 1917 counted $2,567,500,000, of which $2,145,000,000 were for war purposes (88). This came to confirm Eustace Mullins' writings on the Federal Reserve's eagerness to make the US join WWI.

The Emergence of strong financial institutions like the Federal Reserve in 1913 and many other commercial banks led to a very vibrant mobility of capital not only across the country but also with foreign customers. The increase of gold reserves, which was the outcome of large influxes of gold from Europe[2], made the American central bank capable of increasing its money supply and thus its lending power. The WWI in Europe enhanced the newly established institution of the US by making the dollar as a global currency for settlements. According to Carter Glass, the Secretary of Treasury from 1918 to 1920, in his annual report of 1919, the US Treasury advanced to its Allies in Europe $7.3 billion during the wartime before an additional amount of $2.2 billion after the end of the war (Friedman and Schwartz 216). Allan H. Meltzer in his *A History of the Federal Reserve* (2010), asserts that military spending in the country mounted from $ 1 billion in 1916 to around $15 billion in the fiscal years of 1918 and 1919. Meltzer believes that "[WWI] reshaped the Federal Reserve System in many ways" (84) due to the suspension of gold standard in Europe from one hand and to a colossal increase in loans demands.

On October 13, 1917, Woodrow Wilson in his address at Congress Hall stated that it was very vital for the banking system to mobilize its reserves to share the burden of the Allied loans (Russ) because the Fed rendered the nation into an active agency of financial resources. The Notes of the *Journal of Political Economy* in October 1917 stated that the influence of WWI on the financial operations of the regional banks of the Fed has necessitated that the staffs of these banks ought to be augmented to meet the increasing demands of loans from local business and from foreigners. In fact, drafters of the Federal Reserve Act of 1913 requested that the institution should function as fiscal agents of the Government *(Mullins 147).*These notes from the *Journal of Political Economy* of 1917, the year that witnessed the American involvement in WWI, leaves no doubt that those stockholders in the Fed were more likely to generate huge long-term benefits from buying and selling war bonds. It is worth mentioning that arms manufacturers were private corporations whose main revenues got larger during wartimes which explain why they supported the US in its efforts to join the WWI.

It is known that war consumes more materials faster than anything else. In war, expensive equipments do not exhaust but rather they get blown up which generates profits quicker than any other activity. The first and most significant mobilization decision was the volume of the army that was employed to join the war. When the US went into the war, the army stood at about 200,000 (Trueman) while the expectation was that the US would mobilize an army of one million (Rockoff, U.S. Economy in World War I). However, the number grew much higher; some 4,791,172 Americans served in WWI which means that the volume of the army witnessed a 23 fold increase (Swiercek).

This increase in the size of the army led to a massive increase in its basic needs varying from huge quantities of foodstuffs, uniforms and many other products that were required to meet the soldiers' demands like guns, munitions and means of transport. The arms manufacturers were the first companies, along with the banks, to have large profits from the war due to the huge quantities of arms sold to the US government and to its allies in times when huge amounts of money were borrowed from the Fed which helped the Government of the US to increase its spending power (Rockoff). Secretary of Treasury William G. McAdoo, in his speech in 1917 about what he called "American rights", stated it clearly that "...If we had not courage enough to defend our rights on that ground [U.S national security], then our material interests were so involved, that it was absolutely essential to America's continued life and prosperity..." (McAdoo). These words which were uttered by the Secretary of the Treasury in a recorded speech, leaves no doubt that the US was very interested in joining the war due to the promising benefits that would be generated from selling the locally produced civil and military goods from one hand and to the promising benefits of providing funds to their allies in Europe from another hand. The following table illustrates the influence that was brought about to the American economy, banking system and military spending after the Government's decision to join WWI.

<u>Table 1</u>:

Selected Economic Variables, 1916-1920

Economic Variables	1916	1917	1918	1919	1920
1. Industrial production (1916 =100)	100	132	139	137	108
2. Revenues of the federal government (millions of dollars)	$930	2,373	4,388	5,889	6,110
3. Expenditures of the federal government (millions of dollars)	$1,333	7,316	15,585	12,425	5,710
4. Army and Navy spending (millions of dollars)	$477	3,383	8,580	6,685	2,063
5. Stock of money, M2 (billions of dollars)	$20.7	24.3	26.2	30.7	35.1
6. GNP deflator (1916 =100)	100	120	141	160	185
7. Gross National Product (GNP) (billions of dollars)	$46.0	55.1	69.7	77.2	87.2
8. Real GNP (billions of 1916 dollars)	$46.0	46.0	49.6	48.1	47.1
9. Average annual earnings per full-time manufacturing employee (1916 dollars)	$751	748	802	813	828
10. Total labor force (millions)	40.1	41.5	44.0	42.3	41.5
11. Military personnel (millions)	0.174	0.835	2.968	1.266	0.353

Rockoff, Hugh. "US Economy in World War I". EH.Net Encyclopedia, edited by Robert Whaples. February 10, 2008. URL http://eh.net/encyclopedia/u-s-economy-in-world-war-i/

The table demonstrates a vibrant boom in the American finance and economy especially in terms of governmental and military spending. The government's revenues rose from $930 million in 1916 to $2.3 billion when the US entered the War in 1917 and to $5,889 million in 1919, one year after the end of the war. Meanwhile, the Military spending rose form $477 million in 1914 to $8.5 billion in the last year of the war. Moreover, the money stock rose from $20.7 billion in 1916 to $35.1 billion in 1920.This growth in money supply made the banking system, during after the war, flourishing in the states especially with an increase demand of American merchandizes which made the dollar subject to huge demands from Europe.

Richard Hofstadter[3] believes that there were “economic necessities” behind Wilson’s war policies; necessities that urged the government to opt for military choices (Cohn). In 1914, there was a serious recession which had begun. But by 1915, war orders from the Allies, mostly from England, had stimulated the American economy, and by April 1917 more than $2 billion worth of goods had been sold to the Allies (Kohn). It is clear that the amounts of money which the US gained during and after the war were not possible before the wartime in a time when the private foreign investments of the US mounted from $700 million by 1897 to $3 billion in 1914. Hofstadter concluded that "America became bound up with the Allies in a fateful union of war and prosperity" (Zinn 338). What Hofstadter said was so clear in 1912 in the words of Woodrow Wilson, when he said: “ Our domestic markets no longer suffice ; we need foreign markets” (Kohn). WWI made from Europe the saviour of the US economy by becoming a very lucrative foreign market for American goods and for profitable loans.

The production of military munitions developped tremedously as the demand of the arms increased in Europe during WWI. The military situation of the country boosted the US shipbuilding industry which was small in size before 1900 but became very huge after1915. WWI increased the demand for American-built ships which later led to a large shipbuilding programs to answer the needs for moving troops and supplies to Europe. With the evolution of the war and the increse in its demands, European countries became more reliant on on the US for providing foodstuffs and other necessary raw materials. Some of the Allies' purchases from the US were paid partly through loans (with American bankers) and some other purchases were partly paid through the mobilization of sterling and dollar security holdings (Spykman).

European countries like Britain, France, and Russia were unable to supply their own army with necessary military equipments. They contracted with American companies to produce large numbers of guns and cartridges. For example, Remington, an American arms manufacturing company, received an order of one million Enfield rifles from the British. The series of orders that followed up periodically from Europe helped the American military exports to jump from $40 million in 1914 to $1.3 billion in 1916 and $2.3 billion in the final nineteen months of war (Encyclopedia of the New American Nation). This was the first time in american history when the US arms manufacturers played a truly significant role in the international weapons trade. The folowing table illustrates the influence of WWI on the American production of different munitions:

Table 2:

Production of Selected Munitions during World War I (1914-1918)

Munitions	Total to end of the war [a]	Peak monthly rate [b]	Peak monthly production at an annual rate
Rifles	3,550,000	271,000	3,252,000
Machine guns	226,557	35,000	420,000
Artillery units	3,077	410	4,920
Smokeless powder (pounds)	632,504,000	N.A	N.A
Toxic Gas (tons)	10,817	2,726	32,712

De Haviland-4 bombers	3,227	1,100	13,200
High Explosives (pounds)	375.566.000	N.A	N.A
Tanks	799	N.A	N.A
Liberty Airplane Engines	13,574	3,850	46,200

[a] Typically, this is the period from April 1917 to March or April 1919.
[b] Generally, October 1919.

Broadberry, Stephen, and Mark Harrison. The Economics of World War I. Cambridge University Press, 2009.p 331

Table two shows how did the american miltary production perform during the WWI. It displays the total production of various weaponries and production at a monthly peak (usually October 1918). The production of key munitions knew tremendous development during a period of 2 years only from 1917, in wich the US joined the war, to 1919 which marked the end of WWI. The total production of machine guns attained 226,557units between April 1917 and April 1919. The production of Liberty Airplane Engines reached an annual rate of 46,000 in October 1919. The production of key munitions witnessed a remarkable increase after the US entered the war because of the rise in the Government's spending especially after the introduction of liberty war bonds.

In addition to the different announcements of key Government's officials, like Carter Glass and Woodrow Wilson, the American president during WWI, about the economic necessities to join the war, scrutinizing the American economy during and after WWI confirms that the financial motives of the US banking system managed to reshape the American foreign policies by turning the country into a war-machine. There were many overt justifications to the American militarism in that period, but according to many scholars, like Rockoff, there were covert stimuli which were purely financial. The US exports to Europe rose from \$1.479 billion dollars in 1913 to \$4.062 billion in 1917, the year when the country entered the war. In Addition, the period before the war noticed a high commercial exchange between America and Europe which, especially France and Britain, owed huge sums of money to America. Therefore, going to the war, was to mobilize the whole economy of the country from one hand and to help Europe pay its debts owed by the American bankers from another hand.

The cause that is common in literature and which justifies the American entrance in WWI usually goes to the sinking of the British ship Lusitania[4] by a German Torpedo in May 1915 and which costed more than one thousand American lives. However, some facts had been recently revealed about this mysterious incident. An article was published in 2008 on the electronic version of the British Daily Mail (Daily Online) exposed that the Lusitania was sent purposely to the German controlled waters transporting ,along with passengers, enormous quantities of munitions. The article revealed that a diving team, which was discovering the area where the Lusitania sunk, assessed that about four million rounds and 303 bullets bearing the name of the famous American arms company, Remington, were found in the Lusitania's hold in the depths of the sea (Greenhill). This confirms that the Germans were right in claiming that the ship was transporting war munitions and that targeting it was an action of self-defense. The American government rejected to confess about the existence of munitions on the ship at that time and falsely told the general public that German children were granted a day off school to celebrate the incident of the sinking of the Lusitania.

As a matter of fact, and to better comprehend the mystery around the incident, it is worth mentioning that the German embassy in New York published an announcement on April 22nd, 1915 in the famous American newspaper, the New York Times, informing the Americans that passengers on Lusitania voyaging to England, were doing so on their own risk. And here is the original notice published by the German embassy in the New York Times:

> NOTICE!
>
> Travelers intending to embark on the Atlantic voyage are reminded that a state of war exists between Germany and her allies and Great Britain and her llies; that the zone of war includes the waters adjacent to the British Isles; that, in accordance with formal notice given by the Imperial German Government, vessels flying the flag of Great Britain, or any of her allies, are liable to destruction in those waters and that travelers sailing in the war zone on ships of Great Britain or her allies do so at their own risk (Williams).

The Americans neglected this warning and permitted its citizens to sail into a war zone which is regarded by many, namely Mullins, as intentional. It was a justification by which the Government could persuade the Americans, who were against joining the war, that the Germans were an imminent threat to their interests and to their Allies. Wilson's secretary of state, William Jennings Brian, and also a Democratic Party nominee for President of the US in 1896, 1900 and 1908, said later about the interests of the banks in the war: "The large banking interests were deeply interested in the WWI because of the wide opportunities for large profits" (Kirchubel 147).

Samuel McRoberts, Vice President of the National City Bank, in a letter to the Secretary of State on October 23, 1914 about the issue of joining the war and the interests that the country might gain from that, McRoberts saw, in his letter, that the US government should protect its trade with the European countries and thus protecting the local manufacturers. McRoberts stated that since the beginning of the war, the National City Bank has received official instructions about payment procedures which would help in increasing the American businesses. McRoberts asserted that the size of this business was increasing thanks to the war that was taking place in some European countries whose cash credits were depleting fast. Most importantly, the American industrialists who were customers of the bank, requested to provide temporary credits for the European countries to purchase some of the American merchandises (McRoberts).

The American involvement in WWI was very prolific not only to the American trade and business but also reparation to the country's banking system which was pouring the markets with huge amounts of loans to the local businesses and to overseas customers. Those interests were pronounced by highly ranked officials in the cabinet of Wilson, like William McAdoo, and bankers like Samuel McRoberts, which makes the correlation between the American warfare very tight with the benefits of the Banking sector. The following section will examine, with a more insightful way, how did the banking cartels benefit from the war.

2.1.2 The Credit Policies, the Allies' loans and WWI

Many scholars and politicians notably Mullins understood that financial profits were the chief reason that persuaded the US to enter WWI. The American banking system loaned huge sums of money to the European countries which were to be paid back at interests years after the end of the war. As early as 1914, the US began to extend credits to the European Allies for the purchase of American goods, and in 1915 the first of many long-term war loans was made to the Allied powers (The Columbia Encyclopedia, Sixth Edition. 2008) . The New York

Times of January 18, 1920, mentioned a very interesting comment on the Federal Reserve System stating that "The Federal Reserve is a fount of credit, not of capital" (Mullins 188). Mullins believes that the Federal Reserve was instituted to make credit instead of providing capital funds for the enhancement of business and manufacturing.

The American interest in the war has been exposed by many historians notably Harold Faulkner and Barbara Tuchman. Both of them assert that the US acted as a global central bank that never hesitated to loan huge amounts of money to the Allies. *The Journal of Commerce* in 1917 pointed out that the total sums of money loaned to all the Allied governments from August 1914 to April 1917 counted $ 2.2 billion of which $2.1 billion went for war materials purchases. Other loans had been advanced to Germany in 1917 and other neutral powers which mounted the total loans to $2.5 (Faulkner 88). Barbara Tuchman, in *The Guns of August* (1962) confirms what Fulkner tries to argue in his *The Decline of Laissez Faire, 1897-1917* (1951) by stating that "the United States became the larder, arsenal, and bank of the Allies and acquired a direct interest in Allied victory that was to bemuse the postwar apostles of economic determinism for a long time" (Tuchman 337).

In addition to Faulkner and Tuchman, and more importantly, Senator Gerald Nye (1925-1945) in the Congressional record of 1939, 76 Congress, 1 Session reported on the US neutrality in WWI and the role of war debt as a factor in declaring war by confirming that:

> No member of the Munitions Committee…has ever contended that it was munitions makers that took us to war. But that committee and its members have said again and again, that it was war trade and the war boom…that played the primary part in moving the United States into war. (Cole 96)

Nye, a Senator from North Dakota who opposed the US involvement in the war, was well known for his investigations in the Senate about the corporates ' practices of amrs manufacturers during the war[5]. Nye's report to the Congress confirmed the connection between the American military choice and the war trade that was funded by bankers including the Federal Reserve through liberty loans.

It is worth mentioning that William G. McAdoo became the secretary of Treasury on March 5, 1913 and chairman of the Federal Reserve System upon the passage of the Federal Reserve Act on December 23, 1913 (William G. McAdoo). The Department of Treasury and the Federal Reserve were then united under one leader, cooperated in the creation of a plan to finance the war and another one for its execution. McAdoo declared that a sale of securities (called liberty bonds) would be launched in a series of brief but intense sale campaigns. There were four Liberty Loan campaigns during the war and the fifth one was publicized after the armistice and was called Victory Loan. After the end of the war, twenty million Americans had purchased the liberty bonds which raised more than $17 billion without counting $8.8 billion which were collected through taxes. It was agreed that the "The Federal Reserve Banks would coordinate and manage sales, while the bonds could be purchased at any bank that was a member of the Federal Reserve System" (Sutch). The coming table perfectly illustrates the loans that were advanced to the allies which were collectively known as the liberty bonds.

Table 3: War Debts to the US –A- (1914-1920) (all amounts are in dollars)

Country	Pre-armistice Cash Loan	Post-armistice Cash Loans	Total Cash Loans	War&Relief Supplies
Armenia				11,959,917,49
Austria				24,055,708.92
Belgium	171,780,000.00	177.434.467-89	349,214,467.89	29,872,732.54
Cuba	10,000,000.00		10,000,000.00	
Czechosl.		61,974,041.10	61,974,041.10	29,905,629.93
Estonia				13,999,145.60
Finland				8,281,926.17
France	1,970,000,000.00	1,027,477,800.00	2,997,477,800.00	407,341,145.01
G. Brit.	3,696,000,000.00	581,000,000.00	4,277,000,000.00	
Greece		15,000,000.00	15,000,000.00	
Hungary				1,685,835.61
Italy	1,031,000,000.00	617,034,050.90	1,648,034,050.90	
Latvia				5,132,287.14
Liberia		26,000.00	26,000.00	
Lithuania				4,981,628.03
Nicaragua				166,604.14
Poland				159,666,972.39
Rumania		25,000,000.00	25,000,000.00	12,922,675.42
Russia	187,729,750.00		187,729,750.00	4.87I.547-37
Jugosl	10,605,000.00	16,175,465.56	26,780,465.56	24,978,020.^
Total	**$7,077,114,750.00**	**$2,521,121,825.45**	**$9.598,236,575.45**	**$739,821,776.75**

Source: The World War Foreign Debt Commission, Fiscal Years 1922, 1923, 1924, 1925 and 1926. Washington, Government Printing Office, 1927.

This previous table shows the amounts of cash loans to different countries in addition to war and relief supplies that took place during and after WWI. These loans were known as Liberty bonds (liberty loans) and were advanced to the Allied countries. The loans were made in the form of credits established with the FRB through which the Allied Governments were permitted to settle their purchases of the American goods in the US (Spykman 158). Another purpose that made the US continue to extend loans to the Allied Governments was , according to Spykman, to prevent the cancelations of contrats that had been signed to purchase the American goods if the Allies were to loose the war. The following table demonstrates the additional loans that have been advanced to the allied government to pay their already existing debts. Liberty Bond drives; which dominated the financial capital markets, turned the regional banks of the Federal Reserve into a powerful machine of monetary supply to help satisfy the Government's appetite for money and credit.

Table 4: War Debts to U.S –B- (all amounts are in dollars)

Country	**Funded Interest**	**Funded debt**
Armenia		
Austria		
Belgium	40,750,429.94	417,780,000
Cuba		
Czechosl.	23,120,328.97	115,000,000
Estonia	I.763.777-85	13,830,000
Finland	718,073.83	9,000,000
France	685,000,000.00	4,025,000,000
G. Brit.	525,181,641.56	4,600,000,000
Greece	3,127,922,00	18,125,000
Hungary	253.164.39	1,939.000
Italy	394,130,802.04	2,042,000,000
Latvia	642,712.86	5.775,ooo
Liberia		

Lithuania	1,048,371.97	6,030,000
Nicaragua		
Poland	18,893,027.61	178,560,000
Rumania	8,477,878.67	44,590,000
Russia		
Jugosl	11,819,226.00	62,850,000
Total	**1,714,927,357.69**	**11,540,479,000**

Source: The World War Foreign Debt Commission, Fiscal Years 1922, 1923, 1924, 1925 and 1926. Washington, Government Printing Office, 1927.

This table demonstartes the banks' greed in respect to the loans payments. Funded interest and funded debts are a sort of putting debtors in enslavement chains which are a strategy that is used by banking cartels to gain political and economic concessions. Funded interest is giving a credit for paying back an original loan. It is lending money to the borrower in order to repay the interest section of the existing loan[6]. This means putting the borrowers in more debts and most likely that the money which would be repaid by the borrower would be higher than the original loan itself. Moreover, the funded debt is a debt financed by the interest payments that are made by the debtor. These loans were not providing liberty but rather imposing the American imperialism by putting the European countries in a series of debts which would make them sink in a mire of financial obligations to the US banking cartels over a long period of time.

Finally, since the cause that was declared by the American government, which was the sinking of the Lusitania, appears to be false, the American involvement into WWI, then, was turning around the financial imperatives of that time. This can be inferred from the rapid financial and economic development that US witnessed during and after the end of the war. The country emerged as a very influential financial power lending money at interests to the belligerents in the war. And because most of the borrowed money had been spent inside the US on military supplies and on other related materials, which had provided a tremendous stimulus for the American economy, the conclusion that can brought up here is that the US had been paid twice. The country, after the war, became the first creditor not only to its Allies but even to its former enemies. Since the amounts of money that had been loaned to the Allies were huge, the US, after the truce, figured out how she can ensure that the Allies would pay their debts back. Hence, the Congress established the World War Foreign Debt Commission (FDC) in February 9, 1922 to negotiate with European nations debts owed from WWI and which were to be paid back over 62 years at 2% interest (Grant Jr. 479-480). The FDC negotiated with 15 European countries and set the funded indebtedness. The coming section is going to focus on the different credit policies that have adopted by the US against the Germans and how did the American banking system benefited from them.

2-2: The German Reparations, the American Corporations and the Rise of Hitler during the Interwar Period

After signing the treaty of Versailles, which officially declared the defeat of Germany in WWI, the Germans were sanctioned and were demanded to pay the cost of the war for every country that took part in it. A cost that is believed was "totaling three times the value of all the property in the country (Brown 233)". Wall Street, which became the world banker after WWI, took advantage of Germany's economic and financial situation and launched loans to the Weimar Republic (the name given the German regime after WWI) by helping its government paying its war reparations to Britain and France. Moreover, other financial plans followed up like Dawes and Young plans which were put in place to help the German pay their obligations. Some American Corporations took advantage of these plans and engaged in business partnerships with the German ones after an era of hyperinflations[7] that hit the German economy and which is regarded the worst in the history of humankind. This section of chapter two examines the different plans that were implemented by the US, along with its Allies, to help the Germans pay the reparations and the section highlights the role of the American corporations in the rise of Hitler.

2-2-1: The German Reparations during the Interwar Period

After the end of WWI, the Allies along with the US started a campaign of financial sanctions against the Germans who were required, under the treaty of Versailles, to compensate them for the damages and casualties they brought about to their countries. These reparations were regarded by the Germans as unethical and unjust because they tended to enslave them rather than to compensate the Allies. The Germans requested for a complete revision of the treaty of Versailles and they were very reluctant in paying all of them. To this regard, “Dawes and Young plans” had been issued requiring from the Germans to pay the Allied Governments through a new payment method. The American banking system took advantage of this by taking huge parts in the Dawes and Young Plans. This section is going to explain how the American banking system benefited from these plans and how they agitated for WWII.

Antony Cyril Sutton, a British and American economist, who wrote *Wall Street and the Rise of Hitler* (2010), is the best book to denote when it comes to unraveling the true story behind bringing Hitler to power. Sutton depended on a set of documented bank papers and many other companies’ archives to conclude that the involvement of the American entrepreneurs in the German war preparations before 1940 can only be described as *"phenomenal*" (21). The contribution made by American private enterprises to *Nazi* Germany was not only vital to German armament but very productive to American Military industry and banking sector alike. These cartels, according to Sutton, were very aware of the *Nazi* ambitions of expansion, but they chose to support Nazism "wherever possible and profitable with full knowledge that the probable outcome would be war involving Europe and the United States".

Sutton started his argumentation with the Dawes[8] plan of 1924 which was a financial strategy presented by Charles Dawes, a US banker and politician whose brother Henry Dawes was a member of the FRB serving as a Comptroller of the Currency from 1923 to 1924 (Thefederalreserve.org). After the Treaty of Versailles, The Allies imposed heavy reparations burden on Germany which the latter was unable to afford. This burden was "utilized" by international Bankers for their own benefits (23). They seized the opportunity to provide very profitable loans to some German lobbies inside the US who, by their turn would lend them to Germany. Dawes was appointed by the Allied Reparations Commission (ARC) to help Germany pay its obligations which were set forth in the Treaty of Versailles (Encyclopædia Britannic). When Germany failed to pay its liabilities to the Allies, and under the Dawes Plan, Germany paid out $86 billion marks in reparations between 1924 and 1931 while it borrowed $138 Billion Marks simultaneously primarily from banks inside the US (24). Sutton explains the Bankers' profit from these financial processes by focusing on the institutions that issued the German bonds. Sutton said: "… the burden of German monetary reparations to the Allies was actually carried by foreign subscribers to German bonds issued by Wall Street financial houses at significant profits for themselves, of course" (24).

Carroll Quigley, in his *Tragedy and Hope* (1966), relates the American statesmen to the international bankers by explaining that the Dawes plan had been put in place to solve the problem of the German reparations while these politicians, who were bankers at the same time like Charles Dawes, made huge profits out of it by floating loans to Germany. Quigley sustained that Dawes plan, which was set out by a committee of international experts, was the idea of the American Banker Charles G. Dawes who was largely a J.P Morgan agent. Eventually, Germany paid compensations for a period of five years under this plan (1924-1929) and "owed more at the end than it owed at the beginning" (308). Quigley asserted that through using those American loans, the German industry was fundamentally reequipped with the most innovative technological capabilities. With these loans, Germany managed to restructure its economy and built in every town the basic public facilities like post offices and other non-productive equipments. During the period between 1924 and 1931, Germany paid 10.5 billion marks in reparations but borrowed 18.6 billion marks which make "the international bankers sat in heaven under a rain of fees and commissions" (309).

Another argument that Sutton put forward to defend his argument that Wall Street was responsible of bringing Hitler to power and then funding him was the Young Plan of 1929. Sutton believes that the Young Plan was certainly a ploy to conquer Germany with American investments and to open new foreign outlets to American bankers. This plan made the German Electric Company, and many others, which had an attachment to General Electric in the US to escape the plan through the strategy of temporary foreign ownership (24-25). The allies decided to decrease annuities pledged in the Dawes plan if Germany accepted the new plan (the Young plan). The proposal included a full withdrawal of French military forces from the remaining lands occupied in 1923, along with a termination to international control over transportation notably the railway system. Despite the risk of being detached from international financial emporiums, Germany accepted the plan under menaces to its budget (Ritschl 116). It is worth mentioning that the German Reparations International Commission (GRIC) that presented the plan was headed by an American businessman Owen D. Young[9] who was a J.P. Morgan representative (Bowling 25).

The arrangement with Germany which provided for reparations to be paid in a 59 years at rates growing from 1.7 billion marks in 1931 to a maximum of 2.5 billion marks in 1966 and then decreasing to less than one billion marks in 1988. Germany was not allowed to earmark more than 660 million marks as sources of funds and which could be used whenever necessary in commercial activities. Moreover, the plan ended the protection of Germany's foreign-exchange by making Germany assume the cost for transferring the reparations from marks to foreign currencies. To help fulfill this mission, a new private bank which was given the name the Bank for International Settlements (BIS) was founded in 1930 in Basle, Switzerland. It was agreed that the bank was to be owned by the principal central banks of the world and holding bank accounts for each of them. The BIS was to work as an international central bank for the central banks to allow worldwide payments to be made by simply shifting money from one country's account to another on the books of the bank (Quigley 310). This settlement, however, lasted only for 18 months because of the Great depression of 1929 which marked the end of the American loans to Germany which have been used by the Germans to pay their obligations to the victorious countries of WWI.

When the New York stock exchange crash ended the granting of loans, Germany had already borrowed 20 billion Marks since 1924 from foreign institutions. This sum of money was the equivalent of the total amount that was used in the development of the US in the past forty years. It became apparent to Americans that these loans were representing an unlimited threat to the American economy. Germany was obliged to announce that she was incapable to pay the yearly interest on foreign loans (Schacht 48). Schacht directly accused Owen Young of being responsible for the rise of Hitler in a US Government Intelligence report in September 1945when he maintained that the unemployment that was sweeping Germany, because of Young Plan, helped enormously Hitler in his success in the elections of 1933 (Bowling 26).

The most important outcome of the Dawes and young plans was the establishment of the BIS which came as a device to help Germany pay its reparations obligations to the Allies. The BIS, which was described by Sutton as the “apex of control” (27), was a private financial organization retained by the dominant central banks of the world and was functioning by the directors of those central banks, who together formed its board of governors. Each central bank that is a member in the governing board of the BIS kept a significant deposit at it in order to occasionally settle payments among each other as a strategy to escape from shipment of gold. These central bankers became able to mobilize capitals to support each other via this new international institution where payments among themselves could be made by bookkeeping adjustments between the accounts of central banks (Quigley 324). Quigley explains the true objective behind the establishment of such an institution and stated that putting this institution in the hands of private corporations made them capable of dominating the international monetary policies (324).

2.2.2: The American Corporations and the Rise of Hitler

The period between WWI and WWII witnessed a massive evolution in the American economy and finance. Big companies sprung up everywhere in the country thanks to the financial boom that helped in in the rise of trade and business. Some oil and steel companies became enormous like J.P Morgan who owned US Steel Company and John D. Rockefeller with Standard Oil Company. These companies exploited the German reparations and engaged in partnerships with other German companies while others created their affiliates in Germany. These companies helped, in many ways, the German *Nazi*[10] regime in acquiring technical assistance from the US. This section tends to explore the connection between these companies and the rise of Hitler.

The loans granted to Germany through Dawes and Young plans and transferred via the BIS helped in building up the German Cartels which later on aided Hitler to come to power. Sutton provided detailed statistics on the loans that were granted by Wall Street bankers to three German corporations. This financial assistance to Germany was described by James Martin as a *"*vehicle for arrangements that did more to promote World War II than to establish peace after World War I*"* (Sutton 28). Dawes plan tried to pass as much of financial burdens onto Germany which were, to the Germans, beyond their financial potentials. The coming table explains the role of three American corporations in assisting their counterparts in Germany during the 1920's which led eventually to the rise of Nazism.

Table 5

The Three Dominant Cartels, the Amounts Borrowed and the Wall Street Syndicates during the 1920's.

German Cartel	**Wall Street Syndicate**	**Amount Issued**
Allgemeine Elektrizitats-Gesellschaft (A.E.G.) (German General Electric)	National City Co.	$35,000,000
Vereinigte Stahlwerke (United Steelworks)	Dillon, Read & Co.	$70,225,000
American I.G. Chemical (I.G. Farben)	National City Co.	$30,000,000

Source: Sutton, Antony C. Wall Street and the rise of Hitler. Forest Row, England, Clairview, 2010. p 29.

When beholding this table, it looks that the funding of the German reparations was for the favor of companies that have affiliations in the US and that the granting of loans was in the hands of only few corporations. National City Co. from Ohio had two affiliates in Germany; the German General Electric and I.G. Farben received loans of $35 million and $30 million respectively. Whereas United Steelworks, whose syndicate in Wall Street was Dillon, Read & Co., received a loan of more than $70 million. The next table shows the loans granted by the American banking cartels to Germany and the total benefits gained from them.

Table 6

The Main American loans to German Cartels and Profits Gained

Wall Street Syndicate	**Participation in German industrial issues in U.S.D**	**Profits on German loans In U.S.D**	**Percent of total**
Dillon, Read & Co.	241,325,000	2.7 million	29.2
Harris, Forbes &	186,500,000	1.4 million	22.6
National City Co.	173,000,000	5.0 million	20.9
Speyer & Co.	59.500.000	0.6 million	7.2
Lee, Higginson & Co.	53,000,000	n.a	6.4
Guaranty Co. of N.Y.	41,575,000	0.2 million	5.0
Kuhn, Loeb & Co.	37,500,000	0.2 million	4.5
Equitable Trust Co.	34,000,000	0.3 million	4.1
Total	**$826,400,000**	**$10.4 million**	**99.9**

Source: Sutton, Antony C. Wall Street and the rise of Hitler. Forest Row, England, Clairview, 2010. p 29

This Table reveals that the Dillon, Read & Co, Harris, Forbes &, National City Co. dominated the biggest part of loans. They together lent more than $600 million to Germany cartels (which represented 72.7% of the total loans) and together benefited $9.1 million (which represented 87.3% of the total benefits on loans.

When observing the previous tables, it becomes conspicuous that the big American investment corporations were very close and connected to the big German cartels which have affiliations in the US and which, by their turn, aided Hitler, in a way or in another, to come to power. The American Fed affected the political and financial machines of the US through regulating the money supply and through creating sound/unsound monetary atmospheres. In the late 1920's, the banker Max Warburg, from Hamburg, became a member of the directory board of the German Farben company while his American brother Paul was on the American side of I.G which was a Farben's subsidiary. Paul Warburg served as vice Governor of the Federal Reserve between 1916 and 1918 and as a member in the FRB between 1914 and 1916 (Thefederalreserve.org). The American firms: the Bayer Company, General Aniline Works, Agfa Ansco, and Winthrop Chemical Company merged together in 1929 to become I.G Chemical Corporation and later it was renamed General Aniline & Film (Sutton 33). Sutton concluded in his study of I.G Farben Cartel by revealing that the board of directors of American I.G. had three managers from the Federal Reserve Bank of New York: Charles E. Mitchel, Paul Warburg and Walter Teagle (Millegan).

During the presidency of Franklin Delano Roosevelt (1932-1945), mainly in the 1930's, links between the American and German companies witnessed a steady and firm strengthening. Sutton illustrated three "*bridges*" between the two countries' companies. Sutton described the connection between the American and German businessmen as *"bridges"*. The first "*bridge",* according to him*,* was between the American I.G. and I.G. Farben of Germany (The American I.G was an affiliate of the German I.G Farben). The second "*bridge"* was between General Electric Company and its partly owned affiliate in Germany, A.E.G. The third "bridge" was between Standard Oil of New Jersey and Vacuum Oil and its wholly owned German subsidiary, *Deutsche-Amerikanisehe Gesellschaft* (122).

In 1937, William E. Dodd, US Ambassador to Germany, sent an urgent warning to the government of F.D. Roosevelt in which he warned his officials of the American industrial circles in Germany who were very determined to help build a fascist state in the country of Hitler. Dodd wrote:

> *A* clique of U.S. industrialists is hell-bent to bring a fascist state to supplant our democratic government and is working closely with the fascist regimes in Germany and Italy ... The extended aid to help Fascism occupy the seat of power, and they are helping to keep it there(Glen and Hawkins 90)

Dodd's warning leaves no doubt that those American cartels were aware of the risks of cooperating with German corporations but the promising benefits made them unwilling to withdraw their investment from Germany.

Many American corporations preserved their communication with *Nazi* Germany not only during the 1930's but even during WWII. According to Glen and Hawkins in their *The Nazi Hydra in America: Suppressed History of a Century: Wall Street and the Rise of the Fourth Reich (2008),* the American companies could have cut off their contacts with *Nazi* Germany but instead they preferred to remain supportive to Hitler's regime during the war against their country. They added that these corporations became ready to be collaborators with the Nazis and should be charged of war crimes and should be brought to justice (90). When the US was at war with Germany, Ford, General Motors and Standard Oil kept their relations with the *Nazi* regime. Therefore, when the Allied soldiers landed in France near the end of WW II, they realized that they the German Ford and General Motors vehicles run on gasoline provided by Standard Oil.

In an article published by the Washington post on November 30, 1998, the author stated that some official documents show that the managers of Ford and General Motors (the latter was controlled by J.P Morgan[11]), were receiving calls from the president Roosevelt, but both companies went along with the conversion of their German plants into military production. Moreover, these two companies refused to give access to their wartime archives since, according, to Ford’s spokesman John Spellich, Roosevelt administration continued to have diplomatic ties with *Nazi* Germany before 1941. However, the US army investigator reported on September 05, 1945 that Ford A.G, the German subsidiary of Ford served as an ″an arsenal of Nazism, at least for military vehicles” and this was with consent of the parent company in Dearborn*,* Michigan. It is important to note that Henry Ford and James Mooney from General Motors accepted in 1938 the Grand Cross of the German Eagle which was the highest medal that Hitler, who used to keep a life-size portrait of Henry Ford on his desk, could grant to a foreigner for their distinguished services. Furthermore, the article showed also some documents belonging to the Reich Commissar[12] for the Treatment of Enemy Property which revealed that General Motors continued to have a word on the operations of its German subsidiary Opel after September 1939 which marked the outbreak of the war.

During WWII however, Germany produced 6.5 million tons of oil thanks to I. G. Farben, a German chemical and pharmaceutical corporation, which managed to acquire hydrogenation patents and technology from the American oil company Standard Oil of New Jersey. However, Kilgore committee of the House of Senate, on war mobilization tried to unravel the connection between the American financial insiders and *Nazi* Germany by describing it as an accidental trading relationship. The committee reported the following:

> The United States accidentally played an important role in the technical arming of Germany. Although the German military planners had ordered and persuaded manufacturing corporations to install modern equipment for mass production, neither the military economists nor the corporations seem to have realized to the full extent what that meant. (Sutton 22).

Although the accidentality that is proclaimed here, The Kilgore committee admitted that some American companies, in a certain way, helped in the rise of Hitler through technical support for some of the German companies which were, in fact, American affiliates.

Gabriel Kolko[13], an American historian, argues that the American corporations which were holding contracts with some German companies deliberately did so to help rise Hitler (Sutton 23). Kolko's examination of the timely American press asserts that business journals and newspapers were completely conscious of the *Nazi* intimidation and were warning their readers of German war preparations. Sutton outlined a set of factual evidence which do not accord with innocence and accidentality that was promoted by Kilgore committee. He exposes one of the most significant and untold facts of WW II by carefully tracing the secrets through authentic manuscripts and eyewitness accounts. Through documented pieces of evidence, Sutton exposes the roles played by many American banks and companies in funding and equipping Hitler during WWII and then confirmed that the latter was enormously lucrative for bankers. He outlined a very detailed account to J.P. Morgan, the Rockefeller interests, General Electric, Standard Oil, Chase, Kuhn, Loeb and Company, General Motors, Ford Motor Company and many other Manhattan corporations.

Finally, it is apparent that many American companies, like Standard oil, Harris, Forbes & and many others were very close to the *Nazi* regime before the war. Others, like Ford and General Motors, maintained their connections with Berlin during the wartime because Europe in general and Germany in particular were lucrative markets for their businesses. It is difficult to maintain that these companies deliberately assisted Hitler against their homeland country, but it becomes a reality that these companies provided different sorts of assistance varying from financial to technical. Apparently, these companies did not really care too much for the consequences that their technology would be used for. WWII is considered the most economic event in the twentieth century because it ended all the troubles that had been brought about the Great Depression. The coming section explains Hitler's financial strategies along with his battle against the bankers in addition to the role of the Federal Reserve during the war and how it raised funds to support the Government.

2. 3: Hitler, the American Banking System and WWII

After seeing the role of the American banking and industrial cartels in backing up some German industries, this section sets out to delve deeper into the benefits which were generated by the American banking system, as a privately owned institution, from WWII. Money supply is the foremost concern of the Federal Reserve due to the mechanisms exercised by the latter to engender profits during wartimes like buying the US saving bonds (a type of Treasury securities) and providing loans to domestic and foreign investors. This section will scrutinize Hitler's strategies in his battles against the bankers in addition to exploration of the role of the Fed during and after the war to test our hypothesis that there is a tight connection between WWII and this money-printing institution.

2.3.1: Hitler's Battle against Bankers

When Hitler came to power in 1933, he declared a war against bankers as a policy to regain power over money creation and thus finance. The German government started issuing its own fiat currency[14] as a monetary strategy to fight inflation and to bring back its sovereignty over money issuance. Hjalmar Schacht understood that the main responsibility of the German central bank was to create sound money to the economy as a necessity to smooth output production. The issuance of bills of exchange was influential as each bill printed stood alongside the trade of recently produced products correlated with the exchange of new goods (Bossone et Labini). This method guaranteed that the circulation of money and the circulation of goods remained in equilibrium and that inflation would never take place in such monetary circumstances.

To better comprehend the "period of inflation"[15], the one has to go through what Hjalmar Schacht[16] discussed in his book published in 1967 and entitled *The Magic of Money*. In this manuscript, the president of the German Central Bank prior to WWII outlined the tangible reasons behind the inflation which brought the country to its knees. Schacht said that by the end of the WWI, the Mark's value was about half the one before its outbreak. A gold Mark (the standard by which the paper currency is measured) was worth two paper Marks. But at the end of 1923, a gold Mark was the equivalent of a billion paper Marks. During five years, "the German Reichsmark[17] had sunk to one five hundred millionth of its value" (62). This hyperinflation is believed by many like Stephen A. Zarlenga to be the result of the German privately owned central bank. The total control over the German currency became a key factor in the worst inflation in modern times (Lost Science of Money 575-576)

Hitler expressed his refusal of international bankers who sought to dominate money issuance and finance in Germany. He knew that total sovereignty would prevail only if his government would control the central bank of the country. Germany's experience with the independence of its Reichsbank in 1924 (the Dawes Plan) which was put under the international control, made Hitler convinced that the country would not be able to move forward if the government had not brought back its sovereignty over the Reichsbank (Ritschl 111). In his speech on January 30, 1940 in Berlin, Hitler revealed his true enemy and explained the solution by which the German people would be able to throw off the shackles of international bankers:

> … International finance remained brutal and squeezed our people ruthlessly. The statesmen of the allied nations closed their hearts to it in cold blood … the western powers finally dropped their masks. Despite all our attempts and our advances, they sent us their declaration war… (Blod)

Hitler's speech reveals that he was ready to conciliate with west if they lift their financial sanctions. In another speech delivered to the German people on the occasion of Jews genocides, the *Fuhrer*[18] stated: "…It is clear to us that this war can only end with the destruction of the Jewry…" (Kraushistory).

In a biography of 820 pages written in 1993 by the American biographer and the winner of Pulitzer Prize in 2011, Ron Chernow offered a thorough and tedious history of one of the world's most powerful banking families, the Warburg's. Chernow provides his vision on how Jewish cooperate in society, and how their roles transformed during the stormy twentieth century. Max Warburg, the brother of Paul Warburg who was behind, among others, the establishment of the Federal Reserve of US, was then working in Hamburg on financing the construction of a new merchant fleet through the shipping company HAPAG[19]. Since the Warburg's wealth used to depend on funding international trade, Max certainly should seek to support the evolution of trade and business. That is why international bankers encouraged the elimination of tariffs and other trade obstructions. Paul Warburg was a key figure, among others, who stood secretly, behind the creation of the Federal Reserve Act of 1913. He came to America in 1902 and became a naturalized US citizen in 1911. Three years later, the man was appointed as a member in the FRB and then vice-chair of the institution in question in 1916[20].

The German Albert Ballin, who was heading the HAPAG Company, was a very influential businessman and he significantly contributed in building the German colossal commercial and navy (Weir). Weir, who is a prominent reviewer at *the Journal for Historical Review* in an article published in 1995, believed that Max Warburg and Albert Ballin knew that the installation of a huge military fleet would be deemed by the British as an imminent threat to their hegemony and interest in the region and therefore would agitate a rivalry that was eventually a major causal factor to the WWI. Since the Warburg's had very strong connections with international bankers, Chernow believed that the postwar German government known as "Weimar Republic"[21], asked Max to represent the German interests at the war reparations negotiations. Max however, preferred to send his legal counsel Carl Melchior to the negotiations and the reasons remained unknown.

Hitler's battle against the bankers became very apparent in the financing strategy of his economic program during the 1930's. A battle that came as a response to the international bankers' seizure of the German stock and barrel as McFadden said after WWII (Banks 29). McFadden made a clear connection between those international bankers and the American Federal Reserve System which, according to McFadden, pumped 30 billion of dollars in the German economy through some banks operating on the German soil. These bankers purchased and subsidized public utilities like highways and dwellings (Hitchcock 106-108). Schacht, as a Minister of Economic Affairs, instigated a law in 1934 by which he created the bank supervisory authority. This Law came as a pressure from national socialist groups who carried on a ruthless campaign against private bankers. Their demands focused mainly on the nationalization of banks and the establishment of state Giro[22] money (Schacht 49).

Hitler instigated a plan of various public works namely reparation of public facilities and private houses, in addition to the construction of new roads, bridges, canals etc. The predictable cost of the numerous programs was limited to one billion units of the state currency. One billion bills legal for trading, named Labor Treasury Certificates, were then printed against this cost. Millions of Germans were recruited to work on these projects, and the labor forces were paid with those Treasury Certificates. The workers then used those certificates, also known as *MEFO* bills[23], to purchase goods and to get services, which led to the creation of more job opportunities for the Germans (Brown 234). Schacht set up a wonderful and original monetary solution making the government contractors and suppliers receive *MEFO* bills of exchange for payment. The *MEFO* bills were guaranteed by the state and could be redeemed by their holders at the German central bank for cash (Bossone et Labini).

Achievements of Hitler's battle against the international bankers started to surface between 1933 and 1937 when 1,458,178 new houses were built to the highest standards of the time. The construction of apartments was not favored while renting them was capped to 1/8 of the monthly income of an average worker (Goodson 130). Interest free Loans were granted to newly married couples (marriage loans) and were to be paid at 1% per month but 25% of the loan was to be cancelled if the couple gave birth to a new child. Young girls were called to attend courses at an institute two month before their wedding date in order to learn household skills including cooking, ironing, gardening, child care, interior design and animal husbandry (Rainey). Other loans were granted to the Germans to construct/buy a house which were to be paid in a period of 10 years at a very low interest rate. In addition to many other achievements, free education from elementary school to university and also free health care services were accomplished which marked a huge social progress of *Nazi* Germany (Goodson 130).

Hitler was nominated man of the year 1938 by the New York Time Magazine for his success in combatting unemployment (Time Magazine). In two years, the issue of unemployment had been resolved as a result to the increase in the business activities which made the country to stand again on its feet. Unemployment which stood at 30.1% in 1933 had been reduced to almost zero (38,379 persons) (Goodson 132). Thanks to Hitler's economic policies, Germany managed to issue a stable currency with no inflation while millions of Americans were jobless and living on welfare. Moreover, and though the country was denied from foreign credit and was facing an economic boycott from other countries, Hitler succeeded to bring back foreign trade by using a bargain system where equipments and commodities were exchanged directly with other countries, a strategy that aimed to avoid international banking settlements (Brown 234).

Finally, Hitler was very successful in his fight against the bankers. He managed to create his own financial system away from private cartels whose interests were ruthless. His experience with the German reparations from one hand and with the Dawes and Young plans from another hand, made him aware of the risks in putting the monetary power in the hands of few private corporations which are usually internationally connected. Germany, during Hitler's presidency, became economically and military very strong thanks to the German goods which became very competitive in the international markets. Hitler's main fight was against the Jews who were, according to him, hampering the German ambitions of building up a strong nation. The coming section explains the role played by the Federal Reserve during WWII and its influence in militarizing the American government.

2.3.2: The Role of the Federal Reserve during WWII

When the US entered the war in 1941, the president F.D. Roosevelt requested Archibald MacLeish, the head of the Directory Office of Facts and Figures (DOFF), to prepare a detailed report on the American military capacities. His report concluded that the US army needed to renovate and expand its arsenal because it was passé and small in size. The Department of Defense was in an urgent need, according to MacLeish's report, to purchase thousands of airplanes and tanks, thousands of ships, hundreds of thousands of vehicles, millions of guns and hundreds of millions of bullets, grenades, bombs …etc. Moreover, the Department of Defense needed to employ, train and deploy millions of soldiers to different parts of the world which required paying entrepreneur, companies, inventors who would be entailed, by their turn, to pay the workers, produce weaponries and purchase the necessary supplies for the manufacturing process. To this regard, the FRB stated that they were ready to use the institution's powers at any time to provide the government with the necessary financial resources in its war against the Nazis and their allies[24]. Funding the war was the main concern of the Federal Reserve during WWII's since money supply was its main duty as a central bank for the US (Richardson).

Making the American army, along with its allies, strong and ready for the war, became essential to the country's economy due to the promising benefits which were to be harvested by private enterprises from the production of different types of weaponries. The conversion of some American industries from the production of civilian goods to the production of war materials became a national strategy that was implemented by the government of Roosevelt (Tassava). This strategy provided new investment opportunities for both bankers and industrialists who created millions of jobs to the Americans and therefore brought the US economy out of a long economic depression. The period from 1940 to 1944 saw the biggest growth in industrial production in US history and the shift from civil to military production was illustrated by the massive change in the composition of the American gross domestic production (GDP). The following table illustrates the growth of arms production from 1935 to 1944.

Table 7: The Growth of Military Production from 1935 to 1944 in USA

1935-39	1940	1941	1942	1943	1944
0.3%	1.5%	4.5%	20%	38%	42%

Source: Mark Harrison. Resource mobilization for World War II: the U.S.A., U.K., U.S.S.R., and Germany, 1938-1945. The Economic History Review. 1988. pp. 172

The Military production in 1939 was merely 0.3 percent of the total GDP; however two years later it jumped to 4.5 percent and in 1944 to 42 percent of the total GDP. According to Steve Wiegand, The amount of money that the US Federal government spent during the wartime on military hardware reached $350 billion (261).

Monetary developments during the first half of the 1940's were dominated by war finance. Giant sums of funds were obtained through two main strategies, taxation and sale of government securities. However, the overall funding requirements during the wartime surpassed the totals accumulated from these two sources which compelled the government to resort to borrowing[25]. The FRB requested the Congress to amend the Federal Reserve Act of 1913 to help them accomplish their wartime responsibilities. The first amendment allowed the Board to adjust reserve requirements in the banks of New York City and Chicago, which were known as central reserve cities, with keeping the same requirements for other banks. The second amendment approved the System to purchase government securities directly from the Treasury (Richardson). According to Richardson, The twelve banks of the Fed, which played very significant roles in the government's efforts to finance the war, hired about 11,000 individuals in 1939 and around 24,000 in 1943 and 1944 to facilitate the lending process and to accelerate production.

While the Federal Reserve pursued easy money[26] as a general policy during the war, in order to encourage war firms to borrow more money from banks, it set regulations on the lending process in order to help control the money supply and to make sure that the money flows go to the appropriate areas of investment. It is noteworthy that the US mobilized its economy during the war by re-ordering its investment priorities and intervening directly in the market place in order to uproot problems like supply/demand shocks, dislocations, frictions (Gropman 145). Moreover the Treasury helped to maintain interest rates as low as possible because it wanted to reduce the total interest cost of the national debt that would be accumulated after the end of the war (167). The conversion to war industry, along with the great increase in physical capital stock, was very significant that by 1944 more than 50 percent of the labor force in the manufacturing, mining, and construction sectors worked on military contracts (Milward 67).

With the increasing needs of the Treasury to withdraw currency from banks, the Federal Reserve purchased its securities in the open market to provide banks with more reserves. It opted for open-market operations which aimed at providing commercial banks with satisfactory capitals to act as a source for firms and individuals to purchase government securities (Board of Governors of the Federal Reserve 12-13). The Fed of New York engaged in the purchase and sale of gold and the upkeep of accounts for numerous overseas governments along with their central banks which have direct relations with the US. The New York Fed, for example, held gold and dollar accounts for more than fifty foreign nations. The Bank became more and more involved in handling financial transactions like official payments from the US to other countries, especially the ones which host the American military forces (Richardson).

In a thorough study carried out by the Russian economist Valentin Katasonov[27] about the real motives behind WWII, the professor at the Department of Moscow State Institute of International Finance concluded that the war was merely a military conflict agitated by international bankers who were in control of the world of finance. The man believes that these Anglo-Saxon bankers used many financial institutions notably the Federal Reserve and the central bank of England as money-creating machines to create huge amounts of capital and lend them to the governments of the Allied countries. He added that the Dawes and Young plans, the BIS, were used as “milestones” to prepare for the war. Katasonov, insisted that the BIS, which was created as an “outpost” to safeguard the American interests in Europe and served as a link between the American and German businesses. This bank, he added, provided a secure kind of offshore[28] resort and helped those money-owners to avoid political processes, wars sanctions and other things.

In fact, the US entered the war indirectly before the attacks on Pearl Harbor. When Germany invaded Poland in 1939, the president evaded the Congressional Neutrality Acts, which limited governmental communication and responses to the European crises, by convincing the members of the Congress that the US had to trade military equipments with Britain and France on a cash-and-carry basis. This system lasted one year before the battles started to stiffen especially when France fell to the Nazis and Britain came to the brink of bankruptcy. The cash-and-carry business became ineffective because the Allies could not afford to go with it knowing that their currency and gold reserves were running out. The situation was better explained by the British ambassador to the US when he arrived to New York in November 1940 and held a press conference to depict what was going in Europe. The ambassador Lord Lothian said that "Britain's broke; it's your money we want" (Seidl). This statement reveals that Europe in general and Britain in specific could no longer handle the cash-and-carry system. One month after Lothian's press conference, Winston Churchill, the British Prime Minister from 1940 to 1945 and from 1951 to 1955, sent a letter to Roosevelt in which he was outspoken about his need to the American aid. Churchill wrote: "The moment approaches … when we shall no longer be able to pay cash for shipping and other supplies." (Seidl). After many attempts, the president eventually succeeded to convince the Congress to accept his Lend-Lease program.

The lend Lease program was a strategy by which the US aided its allies with war materials, food and raw materials. It was passed by Congress in Mars, 1941 and gave the president the full authority to provide aid for any nation he deemed vital to the security of the US. Under the terms of the Lend-lease Act, the allies would repay the US not in money but rather by returning those materials or by the transfer of any similar goods (Kimball). The

Roosevelt administration initiated an industrial program to supply the war and produced propaganda to gain public support for the program. The Secretary of the Department of Agriculture decided to purchase some commodities at expensive prices in order to encourage farmers for more output especially when the UK asked for huge quantities of food (Gropman 178). By the beginning of 1945, Washington D.C spent nearly $50 billion on the program which represented 17% of the war budget (McNeill). Daniel Sanches, an economic adviser to the Federal Reserve, admitted that even before the attack on Pearl Harbor[29], the US financing needs grew remarkably because of the expansion of the defense expenditure and the decision to help the allies buy war materials through the so-called lend-lease program. Daniel added that "the most important actions performed by the System during the war were to control government bond prices..."

When the US entered the war against Germany and Japan, it became clear that the Government would need huge amounts of money because the war was expected to persist for a long time. Congress decided to raise the debt ceiling from $65 billion to $125 billion in 1939 (Garbade 8) and hit the peak of $300 billion by the end of the war (Garbade, The First Debt Ceiling Crisis 1). It is worth mentioning that Congress prohibited direct purchases of treasury securities in 1935, but subsequently provided a wartime exemption in 1942 (Garbade, Direct Purchases of U.S. Treasury Securities by Federal Reserve Banks 4). This situation caused a historically unprecedented high federal debt which peaked at over 30% of the GDP during the war (Seitz) and which made the government enter in a vicious circle of indebtedness.

According to Hugh Rockoff, a distinguished professor of economics in his *America's Economic Way of War: War and the US Economy from the Spanish-American War to the*

Persian Gulf War (2012), the Federal Reserve did not hesitate to use its power to create money as a strategy to stabilize market of the Government's war bonds. Immediately after the attacks on Pearl Harbor, Mariner Eccles, the Chairman of the FRB, told Congress that *"*The market was very weak, very jittery, and we purchased in the market that Monday and a few days after about $1 00,000,000 of securities, giving stability and support*"* (170). The following table reveals the amounts of money spent by the government during the years of war:

Table 8: Financing the US Federal government during World War II (Figures for January 1939- December 1946)

Expenditures	**Billion Dollars**	**Percentage**
Total Tax Revenues	202.9	49
Borrowing from The Public	115.8	28
Direct Money Creation	22.3	5.4
Indirect Money Creation	72.7	17.6
Total Federal Expenditures	413.7	100

Source: Rockoff, Hugh. *America's economic way of war: war and the US economy from the Spanish-American War to the first Gulf War*. Cambridge, Cambridge University Press, 2012.p171

This table shows that the amount of money created directly (printed) by the Fed represents only 5.4 % of the total Federal expenditure. However, Rockoff stated that when the American central bank purchases the Government bonds, those amounts of money that will end up in the Treasury, come from the printing press. Therefore, the recipients of the Federal Government spending would deposit their payments in banks and the latter would eventually find themselves with more reserves which will produce a multiple increase in bank loans. On this basis, Rockoff concluded that "… the estimate of the amount of total spending financed by money creation would have been somewhat larger (171-172).

Finally, the role of the Federal Reserve became critical in the settlement of debts to the Allies notably after the end of WWII. The most important loan, that the Fed took crucial part in it, was the Anglo-American loan (called British loan in some references) which was a "Loan [that] provided Great Britain access to a $3.75 billion line of credit to finance its international payments dollar deficit during the immediate postwar transitional period" (Wintour). The loan was enacted in 1946 into law and agreed to be obtainable within a period of five years, after which the loan had to be repaid at a fixed two percent interest rate over the a period of fifty years (231). The Federal Reserve, whose officials were members of the of the National Advisory Council on International Monetary and Financial Problems (NAC), was the key player in all stages of the British Loan negotiation process. The Fed officials insisted that, in return for their financial assistance, Britain should make the sterling convertible to other currencies as a strategy "to liberalize the international trade and currency relations" (238). This strategy reveals that the FRB were very interested in internationalizing the dollar currency and making it the international settlement currency. This was clearly apparent in the Bretton Woods system which officially declared the dollar as the international de-facto currency.

Conclusion

The establishment of the Federal Reserve in 1913 was a central event that brought the country out of its isolationism[30] which distanced the US from the European political and military conflicts. The institution of a central bank in the US, once established one year before

WWI, made the country's commercial banks very active in investing /loaning their capitals. Being distant from WWI fighting theaters from one hand, and developing a very competitive economy from another hand, the US dollar emerged as an international currency for trade settlements especially after the European gold influx into the American safe banks' reserves. The Federal Reserve was the institution that transformed the US from championing peace in its foreign relations to advocating military intervention as a strategy to sustain/gain its interests. WWI became the incident that boosted the American economy to another higher level and made the country a leader in military and financial potentials.

The period between WWI and WWII, paved the way for banks and other corporations to exploit the post-war devastated economies of Europe by providing loans to the Allies for reconstruction. These private money cartels, which were behind the creation of the Federal Reserve in 1913, did not take part in the reconstruction of the economies of the allies only, but they also took part in the German reparations by proving loans to the Weimar Republic to pay its obligations to France and Britain. There was a tight connection between politics and banking during the 1920's and 1930's namely in the Dawes and Young plans. These two plans were put in place by Charles Dawes and Owen Young permitting to the Americans to conquer Germany with their corporations during the inter-war period. Many American corporations, along with the American banking system, were working hand in hand with some German cartels during the inter-war period through partnerships or through creating affiliates inside Germany. Some corporations, whose board of directors included some from the Federal Reserve of New York, transferred their know-how to their counterparts in Germany through I.G American or General Electric.

During WWII, the Fed became a very active fiscal agent to the government through purchasing war bonds that had been advanced by the Treasury to raise money for the war. Therefore, the government became in debt to the Fed, and was obligated then to pay back the full amount supposedly borrowed, plus the interest. This system is based on debt, and nothing can run up the debt of a nation like a war. Moreover, the victory has always a high price; the highest the war costs, the more the Federal Reserve's stockholders gain. However, after the end of WWI, anti-war sentiments were revived and advocates of peace and non-interventionism commenced a campaign to isolate the country from international conflicts. The campaign that relied on the argument that financiers and munitions manufacturers had driven the US into WWI for their own profit did not last long. The Bretton Woods conference in 1944 officially declared the dollar as the global reserve currency which means that the dollar became the world's leading reserve by which most of international payments were made. Many foreign governments and their respective central banks preferred to hold their foreign-exchange reserves in dollars rather than in any other currency. This new status quo permitted to the US to emerge as an international superpower in finance, in economy, in military and in politics and whose ideology dominated most parts of the globe.

End Notes

[1] An American economist who made major contributions to economics, history, political philosophy, and legal theory.
Murray N. Rothbard. Mises Institute, 20 June 2014, mises.org/profile/murray-n-rothbard.

[2] The Europeans were paying their imports from the US using gold because their currencies were devaluated after the destruction that was brought about to their economies. few months after the beginning of WWI, US exports to Europe amplified and gold flooded into the United States as a payment tool. In 1914 the United States held 19 percent of the global monetary gold stock. By 1918 its monetary gold stock had increased by 65 million ounces. The increase was 88 percent of the United States monetary gold stock in 1914 and more than 16 percent of the world's prewar monetary gold.
Allan H. Meltzer: "A History of the Federal Reserve, Volume 1: 1913-1951".2010. p 83

[3] Richard Hofstadter (6 August 1916 – 24 October 1970) was a historian whose popular books on the political, social, and intellectual trends in U.S. history garnered two Pulitzer Prizes. His works, several of which were best sellers, used much sociological thought in his interpretations of American history. His books include The American Political Tradition (1948), The Age of Reform (1955; 1956 Pulitzer Prize), The Paranoid Style in American Politics (1965), The Idea of a Party System (1969), and American Violence (1970). His Anti-Intellectualism in American Life (1963).
https://www.britannica.com/biography/Richard-Hofstadter

[4] A British Passenger ship voyaging from USA to England and carrying American passengers
The Editors of Encyclopædia Britannica. "Lusitania." Encyclopædia Britannica, Encyclopædia Britannica, inc., 18 Apr. 2017, www.britannica.com/topic/Lusitania-British-ship.

[5] Nye managed to establish a nationwide reputation during the 1920s as a skilled investigator in the Senate. Chairing the Committee on Public Lands and Survey, Nye conducted over the investigation of the Teapot Dome scandal which was about Continental Trading Company. He concluded that the Secretary of the Interior, Albert B. Fall, had leased an oil field valued at $100 million to Harry F. Sinclair of the Mammoth Oil Company without opening the offer to fair in return for specific privileges
Davis, Margaret L. "Dark side of fortune: triumph and scandal in the life of oil tycoon". Edward L. Doheny. University of California Press, 1998. p 130

[6] It is worth mentioning that the funded interests are usually clean which means they have no security backing.
Suresh Padmalatha." Management Of Banking And Financial Services, 2/E ".Pearson Education India.2001. p181

[7] The mark-dollar exchange rate augmented from 4.2 to one in 1914, to 4.2 trillion marks to the dollar by November 1923. At its summit, prices were mounting quickly that waiters had to stand on tables to pronounce new menu prices in restaurants every 30 minutes. Bills became sufficiently useless that workers had to use wheelbarrows to collect their payment (The Economist). The national treasury was totally bankrupt and huge numbers of mortgages had been lost to the bankers. The total destruction of the currency drove the people living in slums to hunger and terminated their savings and businesses
Hodgson E. Brown. "The Web of debt". Third Millennium Press
Baton Rouge, Louisiana.2008. p233).

[8] The Dawes plan main points can be summarized as follows:
- The Ruhr valley must be evacuated
- The German central bank (Reichsbank) to be reorganized
- A loan of $200 million was to be issued, of which the largest part, $110 million would be subscribed in the U.S. Zoltan, Peterecz Jeremiah Smith, jr. and Hungary, 1924–1926: The United States, the League of Nations, and the Financial Reconstruction of Hungary. Walter de Gruyter. 2013. p. 237

[9] Served as chairman of the Board of General Electric Company in New York City. Young was also chairman of the Executive Committee of Radio Corporation of America and a director of both German General Electric (A.E.G.) and Osram in Germany. Young also served on the boards of other major U.S. corporations, including General Motors, NBC, and RKO; he was a councilor of the National Industrial Conference Board, a director of the International Chamber of Commerce, and deputy chairman of the board of the Federal Reserve Bank of New York.

Sutton .Antony." Wall Street and the Rise of Hitler". Clairview Books, 2010 p. 51

[10] The National Social Party that was ruling the Germany from 1933 to 1945

[12] Reichskommissar was a title given by Adolf Hitler to Nazi governors who were in charge of occupied territories during World War II.

[13] Gabriel Kolko was a Marxist historian who denounced America for imperialism but eventually accepted that socialism had failed.

[14] Fiat currency is legal tender whose value is backed by the government that issued it. The U.S. dollar is fiat money, as are the euro and many other major world currencies. This approach differs from money whose value is underpinned by some physical good such as gold or silver, called commodity money.
https://www.fool.com/investing/general/2015/12/06/fiat-currency-what-it-is-and-why-its-better-than-a.aspx

[15] The period between 1920 and 1924 was known as the period of inflation

[16] German banker and financial expert who achieved international renown by halting the ruinous inflation that threatened the existence of the Weimar Republic in 1922–23. He also served as minister of economics (1934–37) in the National Socialist government of Adolf Hitler. Appointed vice director of the Dresdner Bank in 1908, Schacht served during the early part of World War I as financial consultant for the German occupation government at Brussels (1914–15) and in 1916 was named director of the German National Bank—subsequently the amalgamated Darmstädter and National Bank. In 1923, as special currency commissioner in the finance ministry, he developed a rigorous monetary program for halting rampant inflation and stabilizing the mark, and in December of the same year he was appointed president of Germany's leading financial institution, the Reichsbank. Later (1929) he headed the German delegation at Paris during the negotiation of a new plan of reparations payments for Germany but subsequently rejected the conference's major handiwork: the Young Plan.
https://www.britannica.com/biography/Hjalmar-Schacht

[17] The German central bank

[18] A German term means the leader, in this context, it means Hitler

[19] - HAPAG is a global leader in container shipping, specializing in reefer cargo, dangerous goods and special cargo projects

[20] Paul Warburg was one of the top advocates for central banking in the world during the early years of the 1900's and he was very eager to reform the monetary system in the in the United States. In addition to writing many articles and giving several speeches promoting the creation of an American central bank, Warburg was an working for the National Monetary Commission as an unofficial advisor. In 1910, the man, among other six men participated in a secret meeting on Jekyll Island, Georgia, which laid out the groundwork for the 1913 Federal Reserve Act. The president Wilson appointed Warburg to the new entity's first Board in 1914.
"Paul M. Warburg." Federal Reserve History, www.federalreservehistory.org/people/paul_m_warburg.

[21] Weimar Republic was the name given to the government of Germany from 1919 to 1933, so called because the assembly that adopted its constitution met at Weimar from February 6 to August 11, 1919.
The Editors of Encyclopædia Britannica. "Weimar Republic." Encyclopædia Britannica, Encyclopædia Britannica, Inc., 19 July 2016, www.britannica.com/topic/Weimar-Republic.

[22] a system used between European banks and similar organizations, in which money can be moved from one account to another by a central computer
"Définition Anglaise De 'Giro.'" Giro Définition Dans Le Dictionnaire Anglais De Cambridge, dictionary.cambridge.org/fr/dictionnaire/anglais/giro.

[23] Mifo bills were state guaranteed that were issued by a company called Mifo. These bills were received by state contractors and suppliers as payment.
Bossone, Biagio, and Stefano Labini. "Macroeconomics in Germany: The Forgotten Lesson of Hjalmar Schacht." Macroeconomics in Germany: The Forgotten Lesson of Hjalmar Schacht | VOX, CEPR's Policy Portal, 1 July 2016, voxeu.org/article/macroeconomics-germany-forgotten-lesson-hjalmar-schacht.

[24] See the Twenty-ninth annual report of the board of governors of the federal reserve system in 1942

[25] See : Thirtieth Annual Report Of The Board Of Governors Of The Federal Reserve System Covering Operations For The Year 1943

[26] Easy money is a monetary policy used by the Federal Reserve to allow cash supply to build up within the banking system by lowering interest rates and to make it easier for banks to lend money.
Staff, Investopedia. “Easy Money.” Investopedia, 9 Nov. 2008, www.investopedia.com/terms/e/easy-money.asp#ixzz4sUBzVFwY.

[27] Professor at the Department of Moscow State Institute of International Finance, having a PhD in economic sciences. In addition to serving as a consultant for the UN between 1991-1993, he was a member of the Advisory Council to the President of the European Bank for Reconstruction and Development (EBRD) between1993 and 1996. Moreover, he was the head teacher of the Department of international monetary relations in the Ministry of Foreign Affairs Russia between 2001 and 2011.
http://www.voltairenet.org/article187508.html

[28] An Offshore is any item that is placed or founded out of a country’s boundaries. The term "offshore" is usually employed to refer to foreign banks, corporations, investments and deposits which originally belong to a nation but placed in another nation. Companies usually move offshore to avoid taxes/enjoy lenient regulations but some of them may seek money laundering and tax evasion.
Staff, Investopedia. “Offshore.” Investopedia, 28 Dec. 2015, www.investopedia.com/terms/o/offshore.asp.

[29] Attacks on Pearl Harbor marked the beginning of the U.S. active participation in the war

[30] Isolationism was a policy that was implemented by the American president James Monroe in 1823 which isolated the US from the global conflicts.
The Editors of Encyclopædia Britannica. “Monroe Doctrine.” Encyclopædia Britannica, Encyclopædia Britannica, inc., 22 June 2017, www.britannica.com/event/Monroe-Doctrine.

Chapter Three: The Dollar Hegemony, the Rise of the Petrodollar and the War on Afghanistan

Introduction

Leaving WWII with no infrastructural demolitions made the American economy the most prosperous among Europe's devastated ones. These latter became very lucrative markets not only to the American commodities but to the American banking cartels too. After the establishment of the Bretton Woods accord in 1944, the Fed became the international central bank through which most of international trade transactions were settled and therefore the dollar became, par excellence, the international leading reserve currency. Since then, the dollar started to be associated with wars mainly because of the involvement of the US in both WWI and II and later on in the Korean War (1950-1953) and in the Vietnam War (1959-1975) made the American monetary base more inflated. Every war, in which the US was a belligerent, contributed proportionally in the increase of the dollar supply which means an increase in the power of money lending.

This chapter explores the rise of the dollar, as an outcome of WWII, and examines the Marshall Plan as a strategy by which the US managed to turn the dollar to a vehicle currency. This meant that many of the globe's governments linked their currencies to the American dollar as a monetary reference in their exchange rates and in the pricing of their goods and services when trading in international markets. However, at the beginning of the 1970's, when some countries, like France and Germany, requested to convert their reserves, which were held in dollars, to gold, Nixon resorted to terminate the convertibility of the dollar into gold which was part of the Bretton Woods accords. In fact, this termination did not end the dollar global hegemony, but it strengthened its position through the new petrodollar diplomacy when Nixon and Al-Saud agreed to price all the latter's oil sales in the dollar currency only. After three decades of global financial supremacy of the dollar, The European Union (EU) launched in 1999 the European Monetary Union (EMU) which rose as a strong medium of exchange in the international markets.

The emergence of Euro currency coincided with the American military strategy of fighting terrorism which was waged namely against the regime of *Taliban*[1] in Afghanistan and against the regime of AL *Ba'ath*[2] party in Iraq. This chapter explores the American war on Afghanistan by investigating the possible presence of financial objectives through unravelling the true motives behind the American military intervention in the country. This chapter is important to understand the American new militarized policies in the new millennium especially after the rise of many voices, like Michel Chossudovsky, who asserts that the military campaign against Afghanistan was motivated by a hidden agenda of energy reserves. These claims are realistic because it is irrational that the US spent billions of dollars on its military campaign against *Al-Qaida* in return of nothing. Moreover, the location of Afghanistan makes the country a very important geostrategic choice to control the heart of Asia which is the richest, by far, in the region in terms of energy resources especially in the Caspian Sea.

Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan swim in big reserves of oil and gas and Afghanistan is deemed as a potential transit route for oil and natural gas exports from central Asia to the Arabian Sea. The scrutiny of the different outspoken objectives of the US from toppling the regime of Taliban in Afghanistan reveals that none of them were accomplished. The American military forces in Afghanistan failed at arresting

Osama bin Laden[3] as promised by Bush and failed at eradicating *Al-Qaeda* from one hand, and they failed at neither establishing peace nor stability from the other hand. The only success of the American-led Afghan war was to clear the route for the American-led oil and gas pipeline through the country.

3.1: The Rise of the Dollar Hegemony

The rise of Wall Street during 1920's and the collapse of London as an international financial power during WWII led to the rise of the dollar which dethroned the British Sterling as an intercontinental top reserve currency. The US, after WWII, emerged as an international superpower whose economic strengths became recognized by the international community. Replacing the British sterling by another currency in the mechanisms of international trade settlements became a monetary necessity after the end of the war which destroyed the British economy and its infrastructure. The American banking system along with the dollar profited from these new circumstances and engaged in policies of money lending to the European powers which were working on the reconstruction of their economies. When the dollar overwhelmed the overseas markets, because of huge demands which were placed on it, most of the globe's central banks shifted their reserves to the dollar instead of the sterling. The Bretton Woods system which placed the dollar at the top of the international monetary pyramid increased the dollar demand/supply especially after the introduction of Marshall Plan.

3.1.1: The Bretton Woods System, Marshall Plan and the Rise of the Dollar Hegemony

The Bretton Woods system ascended at the end of WWII as a result to the Bretton Woods international conference on establishing the rules of international commercial transactions that took place in New Hampshire in 1944. The system instituted the American dollar as the world reserve currency and made it redeemable for gold at a consistent rate of $35 for ounce if other countries pegged their national currencies to the dollar (Ghizoni). According to the International Monetary Fund (IMF), By 1947 the US had accumulated 70% of the world's gold reserves., The U.K., after the war, had shifted from being the world's larger creditor to the world's larger debtor and most countries had sold off most of their gold reserves to pay for the war(IMF). This means that the Federal Reserve got the opportunity to increasingly print dollars as long as the demand for it was increasing. At the late of the 1960's and the beginning of 1970's, when nations like France and Germany began demanding gold in exchange for their dollars, Nixon's administration started seriously reconsidering to replace the dollar-backed gold standard by a stronger mechanism in order to keep the increasing demand for the dollar (Robinson).

At the end of WWII, the dollar emerged as the most trustful currency in international trade because the American economy, unlike the Europeans', was not damaged during the war. Under the Bretton Woods agreement, countries started using the dollar currency in their international trade because it was redeemable to gold. Therefore, the Bullion vaults of the American Federal Reserve banks gathered most of the world gold reserves let alone the gold heaps that had been evacuated to the US before and during the war escaping the Nazi expansion. The post WWII economic explosion was a sort of economic growth which made the US the leading financial and economic power of the western world. Noam Chomsky, a leading American philosopher, in his *Understanding Power* (2011), clearly admits that the Bretton Woods made the US a superpower not only in the west but in the whole world. Chomsky said that "The Bretton Woods system had made the United States the world's banker; basically-it had established the U.S. dollar as a global reserve currency fixed to gold, and it imposed conditions about no import quotas…" (119).

The Federal Reserve System was well represented at the Bretton Woods conference with about ten officials attended the meetings. The representatives of the System were led by the chairman of the FRB Mariner Eccles who had a "strong interest in the outcome" of the conference (Bordo and Wynne 123). The representatives tried to stabilize the dollar because its financial resources were less constrained than those of the Treasury. This advantage, according to Bordo and Wynne, persuaded the Fed officials to carry out exchange operations and intervention as a strategy to participate in the Gold Pool[4] with other foreign central banks (123). The Federal Reserve commenced the post-war era as a global central bank and became more influential and engaged worldwide than any other central bank in history. On the contrary, the chief negotiator of the British side was the economist John Maynard Keynes[5], then an adviser to British Treasury, who supported the establishment of a global multinational central bank, with authority to issue fiat paper money to serve as a global currency in the international markets (Engdahl 32).

The FRB was very interested in the structure and operation of postwar foreign economic and monetary policies. During the years of the war, the Federal Reserve found itself steadily surrounded by the Department of Treasury and by the president Roosevelt especially when it came to the question of designing monetary and financial policies. The Federal Reserve officials fought to create an interagency council, with them as members, in order to prevent the Treasury from monopolizing the monetary decisions. Congress accepted the proposal and created the National Advisory Council on International Monetary and Financial Problems (NAC) on July 31, 1945, with the Fed as an official member (Wintour 175-176). Their role in the making of the NAC is central because its officials were willing to take part in the international monetary and financial policies and sought to secure a voice for themselves in the Bretton Woods institutions.

The Bretton Woods conference resolved on July 22, 1944 to accept proposals to establish an International Monetary Fund (IMF) and a bank for Reconstruction and Development, which is now known as the WB. In fact, according to Engdahl, the WB was created as a "vehicle to extend reconstruction dollar loans to the governments of Europe" (33). Knowing that the dollar currency, under the Bretton Woods Gold Exchange Standard, could substitute gold as a central bank reserve, any IMF member state could therefore print its money in the defined ratio against its reserves of dollars/gold. Thus, the WB became the international institution through which the Federal Reserve proved its hegemony and thus made its dollar the international currency. Moreover, the IMF was actually set to function as a financial resource for dollars and gold reserves of every member state and not to regulate the growth of the emerging economies (33-34).

The central problematic for business and reconstruction in Western Europe was the so-called dollars shortage. The dollar currency was essential to settle economic transactions between European nations or with other countries. Italy, for example, would not accept the French Franc in payment because the French economy was not yet stable. France needed dollars to purchase goods from Britain and vice versa. The American response to this situation, according to Noam Chomsky in his *Understanding power: The Indispensable Chomsky* (2011), was Marshall Plan (1948- 1951) which provided European countries with enough dollar funding and therefore created new international markets for the American businesses (39). The Marshall plan was not a noble economic strategy to help the Allies build up their countries after the war but rather a pure opportunistic strategy to open foreign outlays for the dollars and thus making it widely exchanged.

The stated aims of Marshall Plan were to recover the European devastated economies to safeguard the political and the social stabilities from one hand, and to ensure the future of the US economy to the best from the other hand (Foner and Garraty).After the end of WWII, the major problem that was facing the Americans was the big surplus of industrial production. The world did not have markets because it was virtually devastated by the war and the solution was to provide dollar funds to Europe so they can purchase the American excess outputs. The US was controlling oil production in the world and therefore apart of the US effort was, according to Chomsky, to turn Europe into an oil-based economy in order to use it as leverage over the European economic and political decisions. It is true that Marshall plan did help, to some extent the European recovery but it functioned as a big boost to the American businessmen who were provided with huge foreign investment opportunities.

The Soviets were very suspicious of Marshall Plan and it was fundamentally rejected because they believed that it was a concrete example of American “dollar imperialism”. The Soviets saw that the US was trying to expand its political leverage to Europe through economic control over the Allies. According to Evgenii Varga, a Marxian economist, in a report submitted in 1947 on the request of the Soviet Foreign Minister Vyacheslav M. Molotov (1939-1949), Marshall Plan embodied an effort to anticipate the economic situation that postdated the war which was characterized by a surplus in industrial production. Varga assumes that *“the US found itself compelled to increase exports in order to avoid the onset of a serious economic depression”* (Parrish 17) and as a strategy to increase the American exports, the US would provide loans to the European countries in order to monopolize capital. Varga concluded his report by admitting that:

> The idea behind the Marshall Plan is the following. If it is in the interest of the United States itself to sell abroad American goods worth several billion dollars on credit to bankrupt borrowers, then it is necessary to attempt to gain from these credits the maximum political benefits”(17).

Marshall Plan can be understood as an economic strategy that was put in place by the American government to expand its monetary leverage in Europe and thus to provide international monetary markets for its banking system.

The Bretton woods system was a financial strategy that laid out the theoretical framework for the expansion of the dollar to overseas whereas the Marshall Plan was an economic strategy that executed the Bretton Woods System. The post-world war era marked a new international monetary shift from a sterling dominated era to an era when the dollar became the vehicle of most international economies. Being convertible to gold, the dollar was a safe resort to overseas central banks which helped the dollar to expand worldwide and thus the Federal Reserve’s power of money supply witnessed a massive increase. However, the growing European economies during the 1960’s drained the American gold reserves which forced Nixon in 1971 to cancel the convertibility of the dollar to gold which practically ended the Bretton Woods system.

3.1.2: Nixon Shock and the Rise of the Petrodollar System

The Bretton Woods system made the dollar the only currency in the world that was convertible into gold which meant that the international gold markets became under the direct influence of the dollar value. Historians do not agree on the quantities of international official gold reserves but they all agree that more than two thirds fled to the American vaults during the second half of the 1940's. The gold-backed dollar, which was a trustworthy currency due to its stability during the 1960's flooded the international banks making the country dependent heavily on credit (Durden). However, and due to massive withdrawals of gold by some European countries from the American vaults, Nixon declared in august 1971 that the gold standard was cancelled (Bordo, The Gold Standard and Related Regimes: Collected Essays 396). This decision is known among historians as the Nixon Shock which officially ended the convertibility of the dollar to gold and put an end to the Bretton Woods system that lasted 25 years.

The presidents Nixon and Johnson monetary policies were based on printing the dollar to fund the Korean and the Vietnam Wars along with funding other social programs. This strategy caused an excess in dollars (inflation) as the US was incapable of converting all the dollars in circulation worldwide into gold as agreed in Bretton Woods' conference[6]. Because of the Nixon Shock, the year 1971 witnessed a huge change in the dollar value, shifting from a gold-backed currency to a fiat one making its value to degrade against gold by more than 7%[7]. These new monetary and economic circumstances took place before the oil embargo that was launched by some Arab states against America after its official support of Israel in the war of October[8] 1973 (known in Israel as Yom Kippur). The boycott led to an enormous increase in the price of oil barrels which led to a huge accumulation of profits not only by the boycotting countries but by the American oil companies too[9].

The embargo was not set up as a reaction against the American support in the war of October only, but it was retaliation against the suspension of the convertibility of the dollar into gold (Hera). Arab petroleum exporting countries knew that the dollar's health became very problematic after the suspension of its convertibility into gold because any political or economic action might upset oil prices which would lead to massive losses in their dollar holdings (El-Gamal and Jaffe 121). Henri Kissinger, the National Security Adviser to the President Nixon, contended that the US had to implement a monetary strategy by which it could attract oil sales to the dollar-denominated assets and make their holders investing them in the US in return for specific privileges (ibid). This strategy is called the Petrodollar Recycling which is, in other words, the use of the surplus of the oil exporting countries in the funding of other nations' deficits (Spiro 01).

It is clear that this kind of monetary policies, according to David Spiro in his *The Hidden Hand of American Hegemony: Petrodollar Recycling and International Markets* (1999), was advantageous to the US because it could simply print the dollar for the exchange of oil and other goods and services from other industrial nations (4). To this regard, Henry Kissinger travelled in November 1973 to Riyadh to meet with King Faisal and other senior Saudi officials. The two parties discussed a possible alliance that ended up in the creation of the petrodollar in return for military assistance and protection for the government of Al-Saud and of oil fields. The Saudis accepted the proposal because they were convinced that the US was the safest place to invest their petrodollars in the form of US Treasury securities (Durden).

Because of the increase in price of the oil barrel, the US started to gather hundreds of billions of devaluated dollars because of the surpluses coming from oil exporting countries. Some of the Saudi petrodollars were used by the US Treasury as investments in the international financial markets and some others were advanced to commercial banks as loans (Hera).

This shift towards an oil-backed dollar was very strategic to the US because it filled the vacuum that was left by the suspension of the Bretton Woods system. Oil was the most traded commodity in the world, and since Saudi Arabia, the largest exporter of oil in the world, and many other countries were pricing their oil sales in dollar, the latter which was fiat and backed by nothing, became backed by the increasing demand for oil in the international financial markets. Linking the value of dollar to oil permitted to the Fed to expand its monetary hegemony on overseas central banks from one hand and permitted to the US Government to control the international trade from the other hand. This dollar hegemony lasted for more than 40 years but became under an imminent threat when the EU introduced the euro currency in 1999 which became a world reserve currency along with the dollar.

3.2 The Dollar Hegemony and the Rivalry over Energy Reserves in Eurasia

9/11 attacks on World Trade Centre in New York marked the beginning of a new era of the American militarism. The Bush administration claimed that *Taliban*, being responsible for the attacks, had to be toppled in order to bring back security to the country and to install a free and democratic regime in Afghanistan. This incident coincided with the introduction of EMU which emerged as a potential alternative for the dollar in the international trade settlements. This section of chapter three sets out to explore the connection between the threatened dollar hegemony and the invasion of a country that is located in the heart of Asia linking the rich Caspian Sea with China and India.

The Caspian Sea became crucial to the American energy security in the late nineteenth century, when a commercial oil industry developed in and around Baku, Azerbaijan. The region became more significant due to its geographic location as a crossroad between Europe and Asia from one hand and being near emerging economies of India and china from the other hand. Moreover, the US became interested in the Caspian due to its former rivalry against the former Soviet Union which emerged as a real threat to the American unilateralism especially with Vladimir Putin coming to power in Moscow. The Caspian is so significant to the US because it helps in maintaining its global hegemony by controlling energy resources and thus staying as a unilateral power in the international relations. After 09/11 attacks, the US waged a war on Afghanistan under the pretext of fighting terrorism but since it did not achieve its alleged goals, this chapter comes to examine other reasons that might be the real motives behind the American militarism in the region.

3.2.1: Unocal, Taliban and the politics of Pipelines

The American private interest in Afghanistan as a route connecting the Caspian region to Pakistan was not new in the political debates. Many sources relate some energy companies, like the American Unocal[10] and the Saudi Delta Oil, to the construction of pipeline across Afghanistan to reach the Arab Sea via Pakistan. The Clinton administration, during the 1990's, expressed their agenda in constructing a pipeline through the country as a strategy to weaken the Russian and the Iranian influence in the region. The announcement made by Unocal in May 1996 in which the company stated that it was arranging to construct a pipeline to transport natural gas from Turkmenistan to Pakistan through Afghanistan was regarded as victory to *Taliban* (Jan 220). However, During the 1990's, and as a result of sharply deteriorating political conditions in the region, Unocal has suspended all its activities involving the proposed pipeline project in Afghanistan (Scott 166) which is usually referred to as the Silk Road[11] of the 21st century.

The vice president for international relations of the Unocal, John Maresca, focused on three issues in Congress while hearing before the Subcommittee on Asia and the Pacific of the Committee on International Relations on 12 February 1998. Maresca stated that:

> … First, the need for multiple pipeline routes for Central Asian oil and gas resources. Second, the need for U.S. support for international and regional efforts to achieve balanced and lasting political settlements to the conflicts in the region, including Afghanistan. Third, the need for structured assistance to encourage economic reforms and the development of appropriate investment climates in the region (Stratman).

This statement of Maresca evokes clearly the American early interests in the region in general and in Afghanistan in particular and that 9/11 attacks were the overt rationale to invade the country. Moreover, the statement discloses that the US and some private corporates were working in an alliance to maintain the country's interests in the region.

Another testimony about the American official and corporate interest in Afghanistan was the testimony of Robert W. Gee in Congress three years before the attacks of September 11, 2001. Precisely on the 12th of February 1998, the same day when John Maresca made his testimony in the Congress, Gee, assistant secretary for policy and international affairs in the Department of Energy, clearly stated in the official report from a meeting of the US

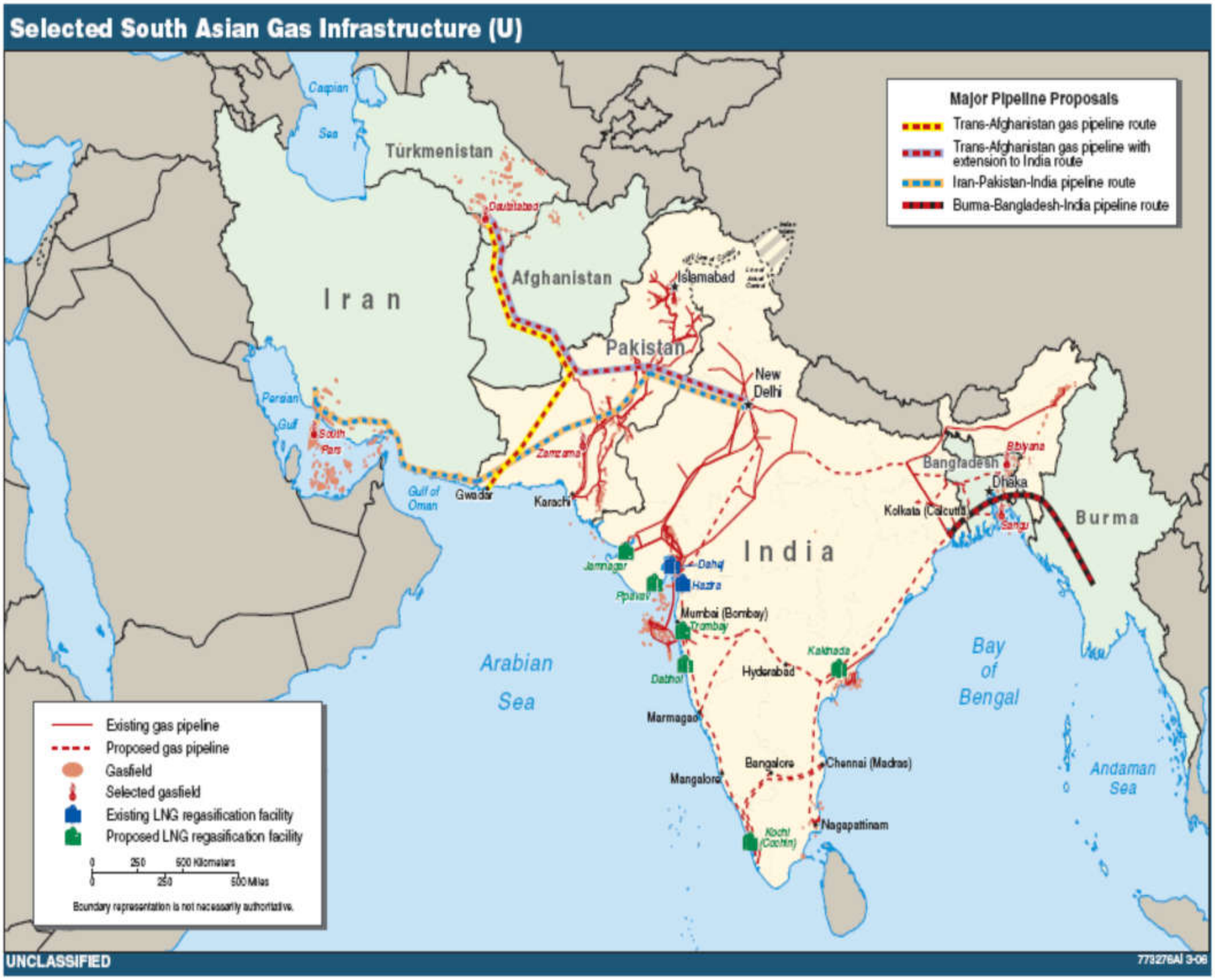
Government's foreign policy committee that America wanted a new government in Afghanistan. He confirmed that the need for a West-friendly government was recognized long before the War on Terror that followed 09/11. Gee said that the Unocal pipeline was among a list of pipelines that the Government of the US was planning to support. He asserted that the US Government, at that point, did not yet recognize any regime of the transit countries, including Afghanistan, which would route the pipeline (U.S. House of Representatives Committee Hearings)

Another statement that proves the American interest in the region was the one outspoken by Dick Cheney in 1998. Cheney was Bush vice-president but then chief executive of a major oil services company, mentioned that he "… cannot think of a time when we have had a region emerge as suddenly to become as strategically significant as the Caspian." (Monbiot).What pushed Cheney to make such a declaration, according to George Monbiot, an author in the Guardian, was the fact that Afghanistan has some oil and gas under its soil, but volumes discovered could not qualify the country to be a major strategic concern. By contrast, its northern neighbours contain reserves which could be critical to future global supply of Energy. According to a study conducted by the American Energy Information Administration[12] (EIA) entitled "Caspian Sea Region: Natural Gas Export Options" and was published just few months after the invasion of Afghanistan, the study thoroughly explained the different options of how to exploit the resources of the region and provided a wide variety of information and statistics. According to this institute, Unocal, In October 1997, set up the Central Asian Gas Pipeline consortium to build the pipeline, which would run 900 miles from the Turkmen natural gas deposit at Dauletabad through Kandahar, Afghanistan, and terminate in the Pakistani city of Multan. The pipeline was estimated to cost $2 billion (EIA).

The author of *Taliban: Militant Islam, Oil and Fundamentalism in Central Asia* (2010) in An interview with Steve Curwood[13] on the Public Radio International which is a news and information program that is broadcasted on more than 250 American radios[14], Rashid pointed out that the American greed in the region is prominent and the energy fields scattering in the Caspian were a matter of conflict among big nations. Rashid concluded that during the 1990's, after the collapse of the Union Socialist Soviet Republics (USSR), a new rivalry especially between Russia, the US, China over the new oil and gas reserves that have been confirmed to exist in large fields in central Asia. In addition to the fight over who controls these fields, Rashid evoked that the construction of pipelines to transport gas and oil and deciding their routes was central to the US. The US main objective from constructing the pipeline through Afghanistan was to keep the new oil/gas pipelines out of Russia and Iran. This has been advanced by George Mobiot, in an article published on the Guardian of London and headlined *America's pipe dream* (2001), Mobiot argued that the Americans didn't go to Afghanistan to secure a safe route to pipe the Caspian oil through Afghanistan only but to deprive Russia from practicing any kind of leverage over the central Asian republics from one hand and "to penetrate the most lucrative market from the other hand".

The following map shows how important is Afghanistan for American corporations which were taking control of central Asia gas business. It is true that the US wanted to remove the authoritarian regime of Afghanistan but not only for the sake of spreading democratic values but for the sake of its business too. On May 13, 2002, some months after the invasion of Afghanistan, the British Broadcasting Corporation (BBC) published an article on its website about Afghanistan's gas pipeline which was, according to BBC, the biggest foreign investment project in the country. Moreover, this project was granted to an American corporation Unocal along with Delta Oil and some other international energy companies. This project was a matter of debate in Congress in 1998, and this proves again the economic interests of the US in central Asia in general and in Afghanistan in particular. Mohammad Alim Razim, minister for Mines and Industries, told Reuters that this project was to build a pipeline through the country to take gas from energy-rich Turkmenistan to Pakistan and India and also to build a road parallel to the pipe in order to supply the nearby villages (BBC News). In addition, the pipeline was built with funds from donor countries, of which the US was the largest donor and national security considerations often influence foreign-aid decisions.

Map 1: Selected South Asian Infrastructure in 1998



Source: Tom Cutler. Energy security - prospects of indo-us energy trade- center for public policy research, India.(presentation at International Conference on Energy Security Challenges, Centre for Public Policy Research, India. December 2014)

This map displays the proposed routes of the pipeline that would transport gas and oil from the rich Caspian Sea to the growing Pakistani market reaching one of the most populated countries in the world, India. The pipeline project would extend also to the Arab Sea through the port of Gwadar which would become a gate to export gas and oil reaching the overseas markets.

On 27 December, 2002, one year after the invasion of the country, an agreement was reached in Ashgabat, the Turkmen capital, which put solid pillars for the construction of a pipeline from Turkmenistan crossing Afghanistan to reach Pakistan. The presidents of the three countries signed an agreement outlining a lawful ground for establishing a conglomerate to construct and operate the pipeline (McWilliam). Afghanistan is viewed by the US government as a route to riches due its geo-strategic balance in the question of safeguarding and control of the large oil and gas reserves in Central Asia. According to some Russian sources, the confirmed reserves of natural gas were estimated at 5 trillion cubic feet (Theguardian) . Controlling these reserves, which are very close to Russia, India and China, is a very important geostrategic action because it will maintain the American hegemony through pricing gas and oil in dollars.

3.2.2: The American Energy Security and the Military Choice in Afghanistan: A Strong Connection

Energy security in the US, during the last four decades, was working on decreasing the country's reliance on the importation of oil but keeping the globe's largest energy reserves under control is still a priority in the American foreign policies[15]. The Caspian basin is very important to the security of the US energy as an alternative source in times of disruption from the Middle Eastern suppliers. The Department of Energy reported on valuation of energy security in 2017 to Congress stating that the US Government has been assisting oil producers in the region of the Caspian to link them to international markets. The report admitted that the

US has always been focusing on improving the region's pipeline's network while convincing some Caspian countries like Azerbaijan, Kazakhstan, and Turkmenistan to use the those pipelines, which are crossing Afghanistan, to reach international markets (95).

In his *Resource Wars* (2002), which tries to bring attention to the Eurasian region, Michael Klare[16], affirmed that the scarcity in energy resources will drive the American foreign policies to implement military force to secure access to large energy resources. Few months before 9/11 in an interview with Radio Free Europe, Klare stated that large energy reserves in the Caspian have turned the area to a top priority for the US energy security despite the modest reforms in the post-independence era in the region. Klare stated that vast oil and gas reserves became a national security concern to the US Government. He predicted that, for the US to ensure a better energy security in the future, "the Government will get that oil from that region" and will make arrangements with Azerbaijan, Kazakhstan and Turkmenistan. Klare conclude that the US views oil as a top security concern and thus has to control it "by any means necessary, regardless of other considerations, other values (von 163)". Few days before 9/11, EIA reported that Afghanistan's significance comes from its geographical location as a prospective shipment route for exports of Eurasian oil and gas towards the Arab Sea. (Mahdi 2012).

The Economist, a world leading magazine, in 1996 published statistics of the energy resources in Central Asia revealing that the Caspian Seabed could hold Approximately 40 billion barrels of oil while oil companies estimated that 100 to 200 billion barrels may exist (Griffith 426). The former US Secretary of State, James Baker, stated in relation to the Caspian promising reserves that "Caspian oil may eventually be as important to the industrialized world as Middle East oil is today" (Menon and Nodia 101). In 2002, the US

Department of Energy estimated that the Caspian could seize 233 billion barrels (BBL) of possible reserves, only 10 BBL are actually proven" (O'Hara 146). Though there was no exact quantifying of the size of energy reserves in the region of Eurasia, but Estimates of entire oil and gas reserves in the area differ extensively, as many specialists guess that only a portion of the hydrocarbon deposits have actually been discovered. This following table shows the proven and the estimated oil and gas fields in the Caspian Seabed.

Table 8: Oil and gas reserves in the Caspian region 2010

Country	Oil reserves in billions of barrels			Gas reserves in trillions of cubic feet		
	Proven	Possible	Total	Proven	Possible	Total
Azerbaijan	7–12.5	32	39–44.5	30	35	65
Kazakhstan	9–29	92	101–132	65	88	153
Turkmenistan	0.5–1.7	38	38.5–39.7	71	159	230
Uzbekistan	0.3–0.6	2	2.3–2.6	66	35	101
Russia	0.3	7	7.3	n/a	n/a	n/a
Iran	0.1	15	15	0	11	11
Total	17.2–44.2	186	203.2–235.2	232	328	560

Source: Energy Information Administration of the United States Department of Energy, at http://www.eia.doe.gov/emeu/cabs/caspian_balances.htm, accessed on December 5, 2010. Data reflect findings as of 2006, and include high and low figures for "proven" reserves.

Table 8 displays the estimates for hydrocarbon fields in the Caspian basin and Uzbekistan. Paul Kubicek, Professor at the University of Michigan, concluded that the proven oil fields of the whole area are low than one third of those in Iraq, however, the proven gas fields are approximately half the ones of Qatar. Moreover, taking into account the estimated reserves in the basin, the total deposits turn out to be very promising. As far as gas is concerned, Turkmenistan remains the biggest holder of possible reserves which explains the American project of pipeline linking the latter to Pakistan through Afghanistan. Kubicek asserted that the total possible reserves for Eurasia in general are equal to the proven reserves of Iraq, Saudi Arabia, and the United Arab Emirates combined. This explains why many official voices in the US are linking the future of energy security with this region. Thus, securing a permanent access to those reserves would allow the US to safeguard potential energy suppliers in the long run which means that sales of oil and gas will be settled in dollars and not in other currencies.

Map 2: Main Military Bases in Afghanistan in 2017

Source: “US Military Bases in Afghanistan.” Military Bases, militarybases.com/overseas/afghanistan/.

Making Afghanistan a safe place means securing a safe route for pipelines from the Arabian Sea to Turkmenistan, on the Caspian Sea. By projecting the map of the proposed pipelines to cross Afghanistan (see page 152) on the map of the American military bases in there, the conclusion that can be brought is that some of them are located right straight on the pipeline routes. 15 days after the US started the war on Taliban; Mobiot indicated that installing a puppet regime in Kabul would give the US a safe route to the Caspian oil. Afghanistan, according to him, “… is as indispensable to the regional control and transport of oil in central Asia as Egypt was in the Middle East”. The American Petroleum Institute (API) that is based in Washington D.C called the Caspian Sea basin as “the area of greatest resource potential outside of the Middle East” (Fouskas and Gökay 23). Dick Cheney, the former vice-president of George Bush and served as a chairman and Chief Executive Officer (CEO) of Halliburton[17], once commented on the significance of the Caspian oil and said: "I cannot think of a time when we have had a region emerge as suddenly to become as strategically significant as the Caspian” (Monbiot, America's pipe dream).

The documents of Pentagon, on the other hand, disclose other strategic plans behind the reconstruction efforts in the country. The documents do insist on humanitarian assistance to the Afghans but for the sake of gathering intelligence on the locals and weakening any rebellious groups (Lutz et Desai 02). This can be confirmed by the $70 billion that the US provided to help policing the country, equipping the army, paying their fuel, their food and their salaries (Sopko 04). This means that 70% of US aids to Afghanistan were meant to maintain and secure its presence in the country and not to rebuild its infrastructure and its basic development needs like constructing hospitals, schools and clean water canalization systems as the term reconstruction implies. Even the 30% of the total reconstruction funds that had been allocated to non-security sectors have been spent, as the Pentagon documents revealed, for the purpose of collecting intelligence to stop all kinds of insurgencies.

Knowing that the Bush Administration was dominated by oil industry executives, Mobiot, and others, believe that it is foolishness to think that the US had no strategic plans in the region. F. William Engdahl in his *Full Spectrum Dominance: Totalitarian Democracy in the New World Order* (2011) asserts the US, after the collapse of USSR, had emerged as the sole hegemonic power and thus Afghanistan was regarded, and still, as “highly strategic” because it can be used as a platform from which the American Army could exercise leverage over Russia and China since Afghanistan is situated in a straddling location in central Asia (133). A report on *Oil and Gas Journal* published one day before the attacks on New York revealed that “Central Asia offers opportunities for investments in discovery, production, transport and refining of enormous quantities of oil and gas resources”. The report exposed that the Caspian is rich with both oil and gas but the latter is the chief energy fuel mainly in Turkmenistan and Uzbekistan which swims in large reserves of gas fields, while oil is the prime source of energy in Kazakhstan (Mahdi 2012).

This rich region could generate enormous profits for American companies which have already gained 75 percent of Kazakhstan's mammoth Tengiz oil field, which is estimated to worth more than $10 billion. Gradually, the Amrican companies will invest in other sectors like infrastructure, telecommunications, transportation and other services when revenues will be generated from Caspian energy expansion.. (Kalicki 121). Angeliki Spatharou in the second chapter of *The Politics of Caspian Oil* (2001) which is edited by Bulent Gokay, focuses on the geopolitics of Caspian oil and the role of the incorporation of Eurasia into the globe’s economies. Spathrou think that the Caspian becoming at the focus of international attention is due to the large unexploited gas and oil reserves in the heart of Asia. This latter is the linking source energy between Europe and Asia and who controls it is going to control both continents. Spathrou stated that the strategic location of Caspian fields has created a tense rivalry over their control, comprising the world’s giant economies (Gokay 20)

The war on Afghanistan is the longest military conflict that the US has ever engaged in since the birth of the country but it is controversial because the true agenda behind it is still unsettled. After 16 years of occupation, the US has failed to reconstruct the country, though it appropriated more than $117 billion for the reconstruction efforts (Sopko 02). The official justifications of spending billions of dollars on the reconstruction aids for Afghanistan are numerous. These justifications go around humanitarian obligations of the US after its occupation of Afghanistan. Fighting terrorism, nation-building, establishing a democratic state were the most uttered words when the Bush Administration was giving a rationale for the reconstruction efforts. In a speech to the American Enterprise Institute in 2007, Bush stated that “Our goal in Afghanistan is to help the people of that country to defeat the terrorists and establish a stable, moderate, democratic state that respects the rights of its citizens, governs its territory effectively, and is reliable ally in this war against extremists and terrorists” (Miller 24). Those amounts of money have been advanced to the reconstruction of Afghanistan were intended, in fact, to secure the American presence and thus to secure access to the Caspian large oil and gas reserves.

It becomes evident that the Caspian basin holds enormous gas and oil deposits that can play a very important role in the future of the world's economies. However, getting gas and oil out of the region to international markets requires a strong military presence due to the different Islamic groups scattering throughout the country. Washington had to make great efforts to ensure and secure independent routes for Caspian energy to reach the outside world. The countries surrounding the Caspian Sea hold some of the major oil and gas reserves in the world which make them very important to the economic, political, and strategic interests of the US. To advance those interests, according to Jan Kalicki, Washington should reinforce its policies towards Eurasia by providing support to the development of regional energy reserves and pipelines. More precisely, Kalicki explained that the US should endorse the construction of numerous routes to ensure various and effective passage of Caspian energy to local and to global markets (120).

Moreover, regardless of numerous risks, like insecurity, energy companies, concerned with developing Caspian hydrocarbons, will certainly gain financial profits and most importantly, whoever controls the Caspian's energy resources will exercise substantial influence in what can be considered the heart of Asia. It is very important to the US to control new energy resources outside OPEC because this helps at keeping global oil prices down. The integration of Caspian oil in world trade could weaken the OPEC monopoly because it would provide more influence over the pricing policies of the leading OPEC countries. The White House is not interested in the region just for the sake of controlling oil, but in reality it is fighting for Caspian oil in an attempt to expel Russia from its colonial backyard. The US has managed, to a particular extent, to use its agenda of war on terror to struggle for getting access to energy reserves in central Asia and thus securing future energy outlets from one hand, and promoting the energy-dollar system from another hand.

Conclusion:

The end of WWII marked the collapse of the British sterling as the leading reserve currency in most of global central banks and paved the way to the American dollar to dominate the international trade settlements. The Bretton Woods conference in 1944 was the turning point that officially nailed the dollar from the top of the pyramid of the international monetary system. The Federal Reserve, therefore, became the institution which most of international businesses were settled through. Marshal Plan was implemented 4 years later enabling the Federal Reserve to lend huge amounts to international central banks and to other financial cartels inside and outside the US. However, and due to new economic circumstances in Europe during the 1960's, the Bretton Woods system, which pegged the dollar to gold, collapsed in 1971 and was replaced by the petrodollar one in 1973. This new system was linked to oil, instead of gold, because the latter was diminishing from the American vaults while the earlier became the most circulated commodity in the international markets.

Being the backbone of modern industrialized economies, linking oil to the dollar became the best solution to Nixon and his advisor Kissinger. Though it became a fiat currency, pegging the dollar to oil sales secured its position in the international trade because oil production, and thus its consumption, was increasing enormously due to the industrial inclination of the globe's economies. Oil sales after 1973, mainly of Saudi Arabia which was and still the first exporter of petroleum in the world and which opted for the petrodollar system, made from the dollar the currency that was widely required to settle oil purchases. To this regard, and in order to maintain the dollar hegemony, securing a permanent access to large oil reserves became indispensable.

The introduction of Euro in 1999 as a potential world reserve currency from one hand and the interests of many giant economies like Russia and China in the Caspian energy resources from the other hand put the dollar hegemony in serious danger. The significance of Afghanistan being located in the center of Asia and being the main route to secure a safe pipeline for the Caspian oil and gas from mainly Turkmenistan to the Arab Sea are very strong rationales that may explain the American militaristic policy in the Country of *Taliban*. Moreover, China and India being next to Afghanistan, are very promising markets for the Caspian energy which would mean securing more demand for the dollar from one hand and pushing back Russia as a rivalry from the other hand. The reconstruction budget that has been put in place is another significant sign especially when taking into account that 71 percent of that budget has been devoted for security sectors like equipping the Afghan army and policing the country which means maintaining a compliant regime in Afghanistan.

End Notes

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[1] An Islamic Movement in Afghanistan that took control of most of the Afghani territory where severe application of Sharia law was carried out during the second half of the first decade of the 21 century.

[2] Al Ba'ath party was a socialist political party that was founded in Syria in 1943 and spread out to Iraq in 1968. This party was known for its opposition to imperialism and colonialism and most importantly, it was known for its aspiration to form a united Arab socialist nation.

The Editors of Encyclopædia Britannica. "Baʿth Party." Encyclopædia Britannica, Encyclopædia Britannica, Inc., 2 Sept. 2015, www.britannica.com/topic/Bath-Party.

[3] The founder and leader of Al-Qaida

[4] A group of eight countries that tried to fix gold prices in 1961 by establishing the gold pool of London. The group, which was dominated by the US which contributed with 50% of the gold pool, aimed at fixing and maintaining the exchange rate that was agreed in the Bretton Woods conference in 1944.

Jake Towne (2009-06-14). "R.I.P - The London Gold Pool, 1961 - 1968"

[5] John Maynard Keynes was a 19th-century British philosopher and economist. Keynes is known for his revolutionary theories in economics that tried to find solutions to unemployment that was weeping the world economies during the 1930's and 1940's. In his "*The General Theory of Employment, Interest and Money,*" Keynes overtly defended the idea of full employment and government intervention as a way to stop economic recession

Charles Henry Hession, "John Maynard Keynes: a personal biography of the man who revolutionized capitalism and the way we live". Macmillan, 1984.

[6] On August 15, 1971, Richard Nixon set out a radical economic strategy which is colloquially known as the "Nixon shock," this new monetary policy ended the Bretton Woods system of fixed exchange rates and marked the beginning of floated currency.

Office of the Historian, U.S. Department of State, history.state.gov/milestones/1969-1976/Nixon-shock.

[7] This degradation in the value of the dollar pushed OPEC to put pressure on oil companies to reconsider pricing oil barrels to match the new value of the dollar. The OPEC proposal included as well the creation of a basket of stable currencies to which the price of oil would be linked.

Mahmoud A. El-Gamal,Amy Myers Jaffe. "Oil, Dollars, Debt, and Crises: The Global Curse of Black Gold". Cambridge University Press, 2010. p121

[8] The war of October was a war between Egypt and Syria against Israel. The war aimed at liberating the occupied lands by the Israeli forces.

[9] Oil prices reached their highest level in 1980 ranging from $35 to %40 per barrel.

Cynthia Clark Northrup," the American Economy". A Historical Encyclopedia, Volume 1. ABC-CLIO, 2011. p 25

[10] Unocal was a *Public Company that was incorporated in 1890 bearing the name Union Oil Company of California. Up to 2005, Unocal was considered to be one of the world's largest companies in the fields of exploration and production of oil. In 2005, Unocal agreed to be sold to Chevron Texaco Corporation in 2005 at* $16.8 billion deal. "Unocal Corporation." Reference for Business, www.referenceforbusiness.com/history/Ul-Vi/Unocal-Corporation.html.

[11] A commercial road that used to link Europe, the Middle East and Asia. It was very known for silk and spices.

[12] The U.S. Energy Information Administration (EIA) is a federal independent agency that collects and analyzes data on energy information to help the American government pursue efficient policymaking "U.S. Energy Information Administration - EIA - Independent Statistics and Analysis." About EIA - U.S. Energy Information Administration (EIA) - U.S. Energy Information Administration (EIA), www.eia.gov/about/

[13] Steve fashioned the first test of Living on Earth in 1990, and his program has run uninterruptedly since spring 1991. Today, Living on Earth with Steve Curwood is broadcasted on more than 300 National Public Radio affiliates in the USA.

Living on Earth / World Media Foundation / Public Radio International. "Steve Curwood." Living on Earth, www.loe.org/about/steve.htm.

[14] This program is broadcasted from the School for the Environment at the University of Massachusetts/Boston. Its main interests range from political, economic to ecological news. Living on Earth / World Media Foundation / Public Radio International. "About Living on Earth." Living on Earth, www.loe.org/about/about.html.

[15] The Department of energy emphasizes that, in today's connected world, supporting alliances and partnerships is important to the national energy security.
US Department of Energy," Valuation Energy Security in the United States". Report to Congress 2017. Washington D.C.
https://energy.gov/sites/prod/files/2017/01/f34/Valuation%20of%20Energy%20Security%20for%20the%20United%20States%20%28Full%20Report%29_1.pdf

[16] Klare is the Director of the Five College Program in Peace and World Security Studies based at Hampshire College in Amherst, Massachusetts. "Michael Klare." Www.hampshire.edu, www.hampshire.edu/faculty/michael-klare.

[17] An oil company

Chapter Four: The Invasion of Iraq: A pre-emptive Strike or A Petrodollar Diplomacy

Introduction

This chapter argues that the Americans used War on Terrorism as a strategy to gain/maintain interests in the Middle East after the attacks on World Trade Centre. Bush decided to launch a war against the terrorists who blew down the Twin Towers and hence bring them to justice. Washington D.C accused *Al-Qaida* of Afghanistan and Saddam Hussein of Iraq of being directly implicated in the attacks and thus the two regimes had to be toppled from power. In fact, the use of external threats to justify military action was not new in the American foreign military interventions. The military action that is used to prevent the external threat from taking action is usually known as pre-emptive strike. A pre-emptive Strike is “a military action taken by a country in response to a threat from another country - the purpose of it is to stop the threatening country from carrying out its threat” (BBC). The war on Iraq was sold to the American people on the grounds that Saddam Hussein possessed nuclear capabilities and that he was bridging connections with Ben Laden who hired the Hijackers of 9/11. These allegations and others will be studied thoroughly to unravel the truth behind the American pre-emptive strike in Mesopotamia.

This chapter demonstrates how important is to keep the dollar hegemony in times when a very strong rival emerged in Europe. The introduction of the Euro currency in 1999 and the decision made by Saddam to price his oil sales in Euros instead of dollars made the international position of the latter at stake. An intervention in Iraq against this decision became essential to bring back the petrodollar system, and thus the dollar hegemony, to its former status that has existed since the elimination of gold standard in 1971 by Nixon. The proclaimed pre-emptive strike, in fact, started with the invasion of

Afghanistan in 2001, which was ruled by the authoritarian party Taliban, where Ben Laden was hiding.

4.1: Told and Untold in the Invasion of Iraq

The US opted for a military action against terrorism right after the terrorist attacks on the Twin Towers by toppling the regimes of Mulla Omar[1] and Saddam Hussein who were thought to be upholding the hijackers who blew down the World Trade Centre. In order to make the war on terrorism a popular one, Washington declared as a strategy to promote democracy and wipe out all kinds of oppression and coercion. Iraq and Afghanistan were the target of the US since they were, according to the Bush Administration, authoritarian regimes commanded by oppressive leaders. Washington considered this war as a global security issue and all countries should take part in fighting terrorism.

In fact, suspicion was wrapping the call to fight against Iraq which was not convicted with solid evidence. Some voices, like Michael Meacher, believe that 09/11 attacks were just a pretext to invade new countries and thus having new economic outlets. Meacher in an article published on the Guardian in 2003 said it clearly that: "... 9/11 attacks gave the US an ideal pretext to use force to secure its global domination". Others, like Jon Austin went even beyond and say that

Terrorist attacks of 2001 were a plot to make the American people feel that the nation's interests were at stake because of external threats.

External threats and national interests have been always paired and have been always used as a blade to cut any opposition to the use of military actions against other nations. External threats to the American national interests or to the interests of its allies have been created through history to stifle any kind of opposition to military moves. The best example to illustrate is the sinking of Maine in 1898 (an American ship) to invade Cuba, the sinking of the Lusitania in 1915 to join WWI, and the threat of communism, which were all used in order to rationalize continued expansion of military spending. This has included rogue states, global terrorism, axis of evil, militant Islam and more recently, enemies of democracy. The collapse of the Soviet Union removed a powerful rationale for the US to maintain its gigantic military-industrial complex of the Cold War era.

4.1.1 The False Allegation in the Invasion of Iraq

Scholars' conceptions vis-a-vis the war on Iraq varied depending on their academic affiliation. Experts of different fields did not agree on the same rationale behind the war. A trend adopted a moral view asserting that the war on Iraq was an attempt to oust Saddam Hussein who represented a menace not only to the security of the US but also to the security of the Middle East. This trend justified the American military intervention in Iraq by arguing that Iraq was developing nuclear capabilities and bridging links to Al-Qaida, which would threaten the safety of the American interests in the region. Another trend, however, viewed the war from another different angle. Advocates of this trend believed that the war was an attempt by Washington D.C to put their hands on the second oil reserves in the world during 2003. Another trend was more precise and analyzed the war by macroeconomic and geostrategic dimensions. Proponents of this trend tried to relate the Federal Reserve System and its policies, regarding the dollar hegemony, to oil reserves in Iraq.

The best example to illustrate the first trend is the work of James Turner Johnson, *The War to Oust Saddam Hussein* (2005), in which he explains the threat that Saddam Hussein posed to America. Johnson's investigation relates the military intervention in Iraq to the war between the West in general and radical Islam (Islamic terrorism). Johnson states that:

> The attacks on America of September 11, 2001, forced Americans to confront the contemporary phenomenon of terrorism as never before and also to face with some urgency an uncomfortable question: Is America, and more broadly the Western culture as a whole, involved in a clash of civilizations with the world of Islam?(3).

Johnson examined the principles of Jihadist (Al-Qaida) and provided a detailed moral investigation of the debates in the run-up to the war on Iraq. Another work that illustrates the same trend is the one presented by two American leading foreign policy thinkers in 2003 entitled *The War Over Iraq: Saddam's Tyranny and America's Mission* (2003). In this labor, Lawrence F. Kaplan and William Kristol examined the rationale for the invasion of Iraq by linking it to the genocides against some Iraqi minorities. Moreover, they thoroughly explained the Bush's strategy to topple the regime of Saddam Hussein and eliminate the danger he posed to America. Unlike Johnson's work, Kaplan and Kristol went beyond the issue of WMD and outlined the role that the US should play in the world affairs after a decade of indifference towards the threat posed by Saddam. The authors laid out a comprehensive account for the strategy of "preemptive strike" to direct Bush in his military intervention.

An article on the Guardian best illustrates the second trend of literature pertinent to the invasion of Iraq. Nafeez Ahmed stressed that "the War on Iraq was only partly, however, about big oil conglomerates" *(2014).* Nafeez, the executive director of the Institute for Policy Research and Development, believed that the Americans sought to turn, after invading the country, the Iraqi oil production to the private sector allowing the foreign oil companies to takeover. The author depended on a wide range of reliable sources like officials' speeches and reports, series of news reports and many other academic papers. His final assumption was that the military strike against Iraq had the ultimate aim "to mobilize Iraqi oil production to sustain global oil flows and moderate global oil prices" (2014). The second example that outfits this trend of literature is Greg Muttitt's *Fuel ON Fire: Oil and Politics in Occupied Iraq (2012).* The author's contribution was a groundbreaking investigation of the theory that placed oil interests at the very heart of the war against Iraq. The author managed to put his hands on hundreds of classified government documents and succeeded to have interviews with chief officials from Iraq, America and Britain. Accordingly, Greg was able to infer the plans and strategies that were laid out to shape the inclusive policies that went to the favor of the energy interests of America.

The last trend of literature is close in argumentation to the previous one but with more innovative method of examination. Believers of this propensity tried to set forth a connection between the invasion of Iraq and the dollar currency that is issued by the Federal Reserve of the US. Their approach is based on the argument that Saddam Hussein was planning to sell his oil in euro currency instead of US dollar, which would eventually devaluate tremendously the American green bucks. The best work to exemplify this trend is the outstanding research done by William Clark. His *Petrodollar Warfare, Oil, Iraq and the Future of the Dollar* (2009) explains thoroughly the relationship between the invasion of the country, oil, dollar and euro. Clark asserted that the war on Iraq was the first currency war and was far from the alleged WMD. He argued that the invasion of the Middle Eastern country was hastened by two incentives: the imminent rise in global oil production and the introduction of euro currency as a new world exchange currency. Another protuberant work published by Hazel Henderson on the Globalist magazine in 2003 in which she outlined the possible repercussions on the dollar currency if Iraq were to price its oil in euro. Henderson concluded that private investors were to pull out of America and other countries would shift to buying euro instead of the devaluating dollar. Moreover, and more dangerously, OPEC would decide to re-denominate its oil in euros since most of the organization's customers are in Europe anyway (2003).

The investigation of the available literature found that the official justification claimed by Bush and his cabinet after 9/11 attacks to topple the regime of Saddam Hussein was inconsistent to many officials' announcements that were articulated before 9/11 attacks and after the invasion of Iraq. Additionally, the study established that the non-official statement of oil as a potential rationale behind the war was inharmonious to some facts reported by some researches. However, this research instituted that the other non-official justification that relates the dollar hegemony to the invasion of Iraq, was more convincing as a rationale to explain the invasion of Iraq due to its correlation with facts on the ground. The research relies on a set of varied primary resources like officials' speeches, interviews, briefings and transcripts from one side and on secondary resources like media coverage, books, and articles from the other side. This section displays the results regarding the different official and non-official alleged rationales of the war separately and following their line of articulation chronologically.

First, the rationale regarding WMD before 9/11 attacks found the following official announcements. In a press conference in Egypt six months before 9/11 attacks, Colin Powell, the secretary of state of the Bush's Administration, affirmed that "[Saddam] has not developed any significant capability with respect to weapons of mass destruction. He is unable to project conventional power against his neighbors. So in effect, our policies have strengthened the security of the neighbors of Iraq*"* (White, 2010, p. 67)*.* Colin Powel was not the only official to confirm that Iraq did not develop any plans for WMD, Condoleezza Rice, The National Security Advisor (2001-05) and Secretary of State (2005-09), said in a television interview in July 2001: "We are able to keep his arms from him. His military forces have not been rebuilt.*"* (Pilger, 2003).

Second, the rationale regarding WMD after the conquest of the country found the following official results. When the US entered Iraq and smashed the Iraqi army, many voices inside the US, and worldwide started asking Washington about its theory of WMD. The questions remained unanswered until the Senate Select Committee on Intelligence (SSCI, 2004 and 2006), the 9/11 Commission, and the multinational Iraq Survey Group (ISG), *"[...]*concluded that Saddam Hussein had terminated Iraq's nuclear program in 1991 and made little effort to restart it" (Reading-Smith, 2008).

Third, concerning the official alleged rationale regarding Saddam and *Al-Qaida* link allegations, the research found the following results. George Tenet, a US former Central Intelligence Agency (CIA) director, said that the administration of Bush *"*could never verify that there was any Iraqi authority, direction and control, complicity with *Al-Qaida* for 9/11 or any operational act against America… *"* (Cole, 2007)*.* On a radio interview with Tony Snow, the White House press secretary in 2007, and in a response to Tenet's charges of the Bush's Administration, the press secretary asserted that Bush "[…] made it clear before the State of the Union in 2002 that

there was no link between Saddam Hussein and September 11" (Grieve, 2007).

After reviewing the literature about oil as the foremost motive to invade Iraq, the research found facts on the ground that contradict this claim. After the invasion of Iraq, the American oil companies did not feature as the top winners in the first post-invasion oil concessions in 2009. In a valuable study conducted by Muhammad Idrees Ahmad entitled *The Road to Iraq: The Making of a Neoconservative War* (2014), in which he tried to answer the question why did the US invade Iraq, Ahmed asserted that Iraq was not invaded for oil (Postel, 2015). He put forward that the big winners of the first oil concession in Iraq after the invasion were Norway, France, China and Russia and out of 11 contracts, only one went to the American Exxon Mobil oil company (Postel, 2015). Ahmed continued to argue that the Middle East energy resources have always been vigorous to the US interests but on "no other occasion has the US had to occupy a country to secure them" (Postel, 2015).

Finally yet importantly, the research finds convincing strong results about dollar hegemony as a rationale to take military action against Iraq. The shipment of billions of dollars in physical cash to Iraq at the early beginning of the war was described by Consumer News and Business Channel (CNBC) as "the largest airborne transfer of currency in the history of the world" (Javers, 2011). CNBC reported in October 2001 that the trail of documents mysteriously lost trace of the money transfer (Javers, 2011). Details of the money shipped to Baghdad have surfaced in a communication prepared for the meeting of the House committee on budget oversight, which was studying the reconstruction process of Iraq. The chairperson of the committee, Henry Waxman, said that "The numbers [of physical money] are so large that it doesn't seem possible that they're true. Who in their right mind would send 363 tonnes of cash into a war zone?" (Pallister, 2007).

The results obtained from the present research divulge the true rationale behind the American military action against Iraq. The review of the available literature made it evident that the use of Saddam Hussein and *Al-Qaida* link allegations, which were pronounced by American officials claiming the existing of a clandestine rapport between Saddam Hussein and the radical Muslim organization installed in Afghanistan, to justify the war is preposterous. Moreover, it is now beyond dispute that Iraq did not possess any kind of Nuclear/ Biological weapons and it becomes clear that all the allegations about WMD, which were revealed by Bush and other highly ranked officials in the run-up to the war against Iraq, were untrue.

Moreover, the exploration of the existing literature corroborates those previously achieved by other experts on the connection between the Federal Reserve System and the invasion of Iraq like the work done by W. Clark in his book *The Petrodollar Warfare: Oil, Iraq and the Future of the Dollar*. The nature of the American central bank as a financial private institution, issuing money at interests, justifies its link to the militarization of the foreign politics towards Iraq. Knowing that Central banks of these times are financial institutions that run the monetary policies of their respective countries through maintaining their value internally and externally, makes the game clear why the American Federal Reserve was interested in toppling the regime of Saddam Hussein.

To better understand the correlation between the petrodollar system and the invasion of Iraq, the one needs to understand the Bretton Woods System (see chapter III, section I). According to John Perkings, the author of *Confessions of an Economic Hit Man: The Shocking Story of How America Really Took Over the World* (2004), the strategy that was advanced by the Nixon's administration was the so-called the petrodollar system. Both the US president Richard Nixon and his Secretary of State, Henry Kissinger, understood that the demolition of the global gold standard under the Bretton Woods arrangement would lead to deterioration in the global demand of the US dollar. Accordingly, President Nixon ended the convertibility of the US dollar into gold in order to save the gold reserves left in the Federal Reserve's vaults (Ghizoni, Nixon Ends Convertibility of US Dollars to Gold and Announces Wage/Price Controls, 2013). Nixon succeeded to reach an agreement with the Saudis in which America accepted to offer them military aid and protection, in return the Kingdom of Saudi Arabia accepted to price its oil sales in US dollar only. By 1975, the US succeeded to convince all OPEC members to follow the steps of Saudi Arabia and price their oil sales in US dollar only. Nixon and Kissinger successfully paved a sounder way for the dollar to move from a gold-backed currency to an oil-backed currency and made it the lingua franca of the international oil markets.

As we know now, Oil can only be purchased from OPEC by dollars. Thus, non-producing oil countries must sell their goods in dollars in order to be able to purchase oil. If these countries are not able to provide dollars, they must borrow dollars from WB or IMF which to be paid back at interests. This economic fact makes the dollar at a great demand in world trade, which allows the US to act as the world's central bank, printing currency acceptable everywhere. Any measure that will shake the current dollar-hegemony de-facto will certainly lead to atrocious consequences on the American economy. If euro were to replace dollar in the trade of oil in the international markets, foreign nations would switch their currency reserves to euro in order to be able to purchase oil from OPEC. Therefore, the Federal Reserve System would never be able to print money and lend it at interests.

After November 2000, Iraq became the first country in the world to sell its oil for euros, in challenging of the post-WW II standard, which set US dollar as the currency of international trade. After Iraq, OPEC was considering the proposal of Javad Yarjani, head market analyst for the organization, to using the euro currency as an alternative to dollar in trading its oil (Clark, 2003). Simultaneously, The EU was seeking to control the international markets by discarding the American dollar from circulation and making the euro as the world reserve currency. On this basis, “Attacking Iraq and installing a client regime in Baghdad may have a preventative effect. It will certainly ensure that Iraq returns to using dollars and provide a violent example to any other nation in the region contemplating a migration to the euro” (Butler, 2003)

When the US entered Iraq and smashed the Iraqi army, many voices inside the US and worldwide started asking Washington about the theory of WMD. However, with time, the American Government did not find an answer to these questions and was just delaying the possibility of finding anything that may lead them to locate the sites of these arms. It is now clear that Iraq did not hold any WMD or have significant ties to *Al-Qaeda*. This was the conclusion of numerous bipartisan government investigations, including those by the Senate Select Committee on Intelligence (2004 and 2006), the 9/11 Commission, and the multinational Iraq Survey Group, whose "Duelfer Report"[2] established that Saddam Hussein had terminated Iraq's nuclear program in 1991 and made little effort to restart it (Kessler).

Dana Priest and Walter Pincus, in an article published in the Washington Post on Thursday, October 7, 2004, stated that the inspections that followed the First Gulf War of 1991 by the U.N. had destroyed Iraq's weapons capability and for the most part Saddam Hussein had no intention to reconstruct it. Charles A. Duelfer, who was appointed by Bush administration to complete the US investigation of Iraq's weapons programs, concluded that:

> The former Regime had no formal written strategy or plan for the revival of WMD after sanctions. Neither was there an identifiable group of WMD policy makers or planners separate from Saddam. Instead, his lieutenants understood WMD revival was his goal from their long association with Saddam and his infrequent, but firm, verbal comments and directions to them. (Iraq Survey Group)

Duelfer concluded that Hussein hoped someday to resume a chemical weapons effort after UN sanctions ended, but he had no stocks and no potentials to build a WMD plants.

With the existence of an overwhelming literature about the true rationale behind the invasion of Iraq, this section comes to find out the most plausible one. It is essential to understand the role of the petrodollar hegemony as a mechanism that outlines the American militarized foreign politics when intervention in Iraq took place. Neither the Saddam and *Al-Qaida* link allegations nor the theory of WMD, which were the Washington D.C's claims to topple the regime of Saddam Hussein, have been proven right.

4.1.2: Iraqi Oil Lobbying

> "I put it this way. They got a president of the United States that came out of the oil and gas industry that knows it and knows it well."

George H. W. Bush, on the eve of his inauguration as President. *(Mahdi, 2012,p 32)*

A confidential document prepared by the Australian Department of Foreign Affairs and was released in 2005 shows that the "Coalition of willing" was enormously interested in the Iraqi oil resources and that negotiations were held on the issue to parcel the Iraq's major oil fields (King). Washington took the position of the leading player in the game and acted as the arbiter of those resources. James Paul, a contributor to the Global Policy Forum, stated that the governments of the Coalition were not interested in the overthrowing of Saddam as much as they were interested in its oil. The document is a diplomatic cable[3] which recaps a private meeting that was held in London in May 2003 after two months of the invasion. The participants of the meeting were very positive that fast growth would take place after the occupation forces finish the Iraqi resistance. The document mentions that other meetings were held at that time chiefly in London and Washington D.C involving Exxon, Chevron, Shell, BP and other key players in oil industry.

The attendees at the meeting were the former UK Foreign Secretary; Sir Malcolm Rifkind who was serving in this as a lobbyist for BHP Billiton [4], the Australian Foreign Affairs Minister Alexander Downer, the Australia's ambassador to U.K Michael L'Estrange and top managers from BHP Billiton which is the largest mining corporation in the world. According to Paul, the document discusses a "bid by BHP Billiton, Australia's largest company, for Halfayah, one of Iraq's largest undeveloped oil fields". Copies of these meeting were sent to a number of top Australia's officials like the Prime Minister and the Minister of Trade. Paul describes the document as "extraordinarily valuable as a clue to what is happening… It provides indispensable and very precious evidence about how governments and companies have been thinking about the division of Iraqi oil in the post-war period". The document demonstrates that politicians and businessmen worked together in intense secret negotiations to ensure future oil contracts in Iraq which would be divided by Washington D.C.

The neoconservative think tank, Project for the New American Century (PNAC), was established in 1997 and whose stated goal was to promote the American foreign policies and to rally support for American global leadership, had tight connections with the Bush Administration. In its Statement of Principle, the participants outlined a fourfold agenda whose first two principles focused mainly on expanding military spending and on challenging regimes which are hostile to the interests and values of the US. The list of signatures involved Jeb Bush, the son of George H.W. Bush and the brother of George W. Bush who are a strong oil business family, Dick Cheney who served as vice president for George W. Bush and was chairman and CEO[5] of Halliburton (an engineering and construction company for the petroleum industry). In fact, the PNAC did not explain any strategy that it intended to use to attain its stated goals. But when knowing that some of the PNAC members took high positions in the administration of the President George W. Bush, it becomes clear that the PNAC managed to delineate the new American foreign policy. The members of PNAC who were simultaneously working in the Bush Administration were: Donald Rumsfeld (Secretary of Defense), Paul Wolfowitz (US Deputy Secretary of Defense), Elliott Abrams (Special Assistant to the President) and Dick Cheney (Vice President).

The relationship between the American Government and oil industry is indispensable to attain global supremacy over oil reserves of the world. Promoting the US foreign policies through securing the interests of the American private oil industry is significant during the administration of G.W Bush due to the fact that a considerable number of key officials, including Bush himself, were very active in oil business. Gabriel Kolko the author of many books about oil and the American foreign politics asserts that the connection between oil business and government is not a new phenomenon in the American politics but it dates back to WWII. Kolko wrote that:

> The State Department completely identified the national interest with that of American oil firms operating abroad, not merely because numerous former oil industry executives occupied key posts in the department, but primarily due to traditional synthesis of private and public interest which had been the functional basis of American foreign economic policy for decades (Kolko 302).

The public-private partnership in the oil business augmented substantially when G.W.Bush took office in 2001. His Administration established The National Energy Policy Development Group (NEPDG) in May 2001 which means that Bush saw oil a priority in the US foreign policy making. The first report that was handled to Bush in May 2001 from the NEPDG asserted that the Middle East and by 2020, is expected to be the source of 54 to 67 percent of the world's oil. The report, whose members include Dick Cheney and Collin Powell, assumed that the global economy will definitely continue to depend on the Gulf due to the fact that 67% of proven world oil reserves in January 2000 were in the Middle East (National Energy Policy Development Group 8-4).

"Bush had more ties to the energy industry than any other American administration in history, as he used to be an oil executive himself" (Mahdi 2010). Ian Rutledge, and many authors, maintained that the government of G.W. Bush was largely dominated by private oil interests as never happened in the history of the US. The biography of the Bush's family shows that they have strong ties with oil industry and armament. This fact had never been in a debate since the Bushes started running for presidency in 1980 (Horn) .According to Kevin Phillips**,** who published an article about the Bush's connection to oil corporations in the Los Angles Time on Sunday, February 8, 2004, the only Bush biography published before George H.W. Bush won election in 1988 was a simple job written by a former press secretary, and the biographies of George W. Bush in 2000 barely mentioned his forefathers.

Former President George H.W. Bush's personal ties to the oil industry date back to 1950. Linking oil to politics started when the banker Prescott Bush, President Bush's father, ran for the US Senate from Connecticut, showing a strong but ineffective challenge to a popular Democratic incumbent. At about the same time, his son, a highlighted WW II veteran and newly Yale graduate, started his first oil company in Midland, Texas. With financial support from Wall Street relations cultivated by his uncle, Herbert Walker, the 26-year-old George H.W. Bush joined an associate, John Overbey, to establish the Bush-Overbey Oil Development Co. (Parry) . When Bush and Overbey were ready to expand their business in March 1953, they tapped their Midland network of oilmen friends to establish a new partnership, Zapata Petroleum Corp. Throughout the oil boom in Texas during 1950's and 1960's, George Bush manage to collect a fortune and also he made many connection with leading oilmen namely James Baker, who became later, in 1963, the lawyer of the Bush's company (Caveli). In June 1977, according to the famous *Wall Street Journal*, George W. Bush founded Arbusto Energy, his private oil drilling company, in Texas. His friend James R. Bath was used to transfer money from Osama bin Laden's brother, Salem bin Laden to set up George W. Bush in the oil business (Bowles).

In 1970, in Houston, Texas, George W. Bush was just starting out in his family's two businesses of politics and oil. He, through his long political and business career, founded many relations with the Gulf countries especially leaders of Saudi Arabia which is a key oil producer not only in the region but in the whole world. The powerful - and very rich - Bin Laden family helped fund his first venture into oil (Mairesse). The warm friendship continued for decades after, especially when a terrorist attack at a barracks in Saudi Arabia which killed 19 Americans in 1996, the Bin Laden family received a multi-billion dollar contract for the reconstruction. When the US left about 20.000 troops in Saudi Arabia after the Gulf War in 1991, Osama Bin Laden went outrageous because he was supporting an Arab solution between Iraq and Kuwait. The Saudi royal family asked the US to do the job. Soon after, Bin Laden left the Kingdom to Sudan with his fortune. Under pressure of the Clinton Administration, bin Laden left Sudan to Afghanistan in 1996 after being connected to the first attack on the World Trade Centre in 1993, surprisingly; neither the US nor the Saudis made an effort to arrest him, despite the opportunity offered up to them by the Sudanese government (CBC News).

Jean-Charles Brisard and Guillaume Dasquié, two French intelligence analysts, asserted that both Clinton and Bush administrations hampered inspections on Bin Laden and his *Al- Qaeda* so as to uphold good relations with Saudi Arabia and to maintain the stability of international oil market (Mairesse). In their *Forbidden Truth: U.S.-Taliban Secret Oil Diplomacy and the Failed Hunt for Bin Laden (2002)*, Dasquié and Brisard revealed many things about those relations between the Bush family and other Saudi families like the Bin Ladens and the Mahfouzes[6] while John O'Neill[7] and the Federal Bureau of Investigation (FBI) have extensive information concerning the finances of Bin Laden and al-Qaeda. Moreover, Michael Springmann, formerly chief of the visa section at the US Embassy in Jeddah, Saudi Arabia, wrote that he rejected hundreds of mistrustful visa applications, but the CIA officer overruled him and ordered the visas to be issued. Springmann complained to the State Department, the Office of Diplomatic Security, the FBI, the Justice Department and congressional committees, but in vain. (Springmann and Faulkner)

In the Boston Globe, on April 11, 2004, Craig Unger, author of *House of Bush, House of Saud: The Secret Relationship Between the World's Two Most*

Powerful Dynasties (2004), states that the 9/11 commission ought to inquire who allowed the evacuation of 140 Saudi nationals on at least 8 aircraft making stops in 12 cities right after the attacks. “Many of the passengers were high-ranking members of the royal House of Saud. About 24 of them were members of the Bin Laden family, which owned the Saudi Bin Laden Group, a multibillion-dollar construction conglomerate.” (Unger) . Unger states about the relationship that “Never before in history has a president of the United States had such a close relationship with another foreign power as President Bush and his father have had with the Saudi royal family, the House of Saud.” Unger traced more than $1.4 billion in investments and contracts that went from the House of Saud over the past 20 years to companies in which the Bushes and their allies have had prominent positions like in Harken Energy, Halliburton, and the Carlyle Group.

4.2: The Petrodollar Warfare: Fighting for Oil or Fighting for Petrocurrencies

Since 1971, oil has been traded in US dollars and that made it the petrocurrency[8] in the trade of oil between countries. For approximately 40 years, the American dollar has been taking a supreme position as the international global currency reserve. It is known that the EMS, at the beginning of the new century, represented the nemesis to the US international financial hegemony. Being backed by a strong European economy, the prospect of euros becoming widely used between many countries in the trading of different commodities became very high. Iraq which possesses the second biggest oil reserves in the world[9] decided to switch its oil sales to euros instead of dollars dragged Iran and Venezuela along with. Clark in his *Petrodollar Warfare: Oil, Iraq and the Future of the Dollar* (2009) had revealed that the true rationale behind the occupation of Iraq was not just for the control of oilfields, but also for the control of the means by which oil is traded in global markets. This section sets out to study the hidden clash between the dollars and the euros over the dominance of the international monetary reserves with a reference to oil as the most traded item in the international markets.

4.2.1 The War for Oil

After the end of the Cold War, the US replaced communism by terror as the new global image of enemy and thus the invasion of Iraq came under the pretext of fighting terrorism. However, the invasion implies other reasons which are restricted in the American political and economic hegemony. There are pieces of evidence that show early intentions of the White House to topple Hussein of power even before 09/11 attacks. Iraq which contains the second oil reserves in the world can be used as a stabilizer in oil prices along with Saudi Arabia. The American economy depends on oil production because the dollar is an oil-backed currency.

It is not plausible that the US attacked Iraq, which appeared to have no WMD and was threatening the security of no other nations, and left North Korea, which was and still very actively developing nuclear weapon plants, because it wanted to free the Iraqi people and install democracy in their country. The US deputy Defense Secretary, Paul Wolfowitz (2001-2005) admitted that oil was the main reason for military action against Iraq and securing access to the Iraqi oil fields was essential to the American energy security. Three months after the invasion of Iraq, and at a security conference in Singapore in the summer of 2003, Wolfowitz was questioned to explain why the US did not attack North Korea, which was developing nuclear capabilities, like they did with Iraq, where no WMD had been found, he openly responded to the press and said: “Let’s look at it simply. The most important difference between North Korea and Iraq is that economically, we just had no choice in Iraq. The country swims on a sea of oil" (Bandeira 82). This testimony leaves no doubt that the US had geo-economic ends in the invasion of Iraq because it was pronounced by a very close official to the decision-making circles.

President Bush's Treasury Secretary until December 2002, Paul O'Neill, expressed the US intentions to bring a puppet regime to Iraq by stating that "We were building the case against Hussein and looking at how we could take him out and change Iraq into a new country. . . . It was all about finding a way to do it. That was the tone of it. . . . The President saying, 'Fine. Go find me a way to do this" (Graham and Hansen 131). This was not the only time in which O'Neill admitted overtly the Bush's planned invasion of Iraq before 9/11. O'Neill stated that "The Bush administration began planning to use U.S. troops to invade Iraq within days after the former Texas governor entered the White House three years ago" (Krismer 311).

The significance of Iraq, in the eyes of Washington, does not stand on security imperatives only, but it stems from some energy considerations as well. In March 2001, Vice-president Dick Cheney commissioned a report on energy security from the Baker Institute for Public Policy[10] *titled Strategic Energy Policy Challenges for the 21st Century*. This report concluded that:

> "The United States remains a prisoner of its energy dilemma. Iraq remains a de- stabilizing influence to ... the flow of oil to international markets from the Middle East. Saddam Hussein has also demonstrated a willingness to threaten to use the oil weapon and to use his own export program to manipulate oil markets. Therefore the U.S should conduct an immediate policy review toward Iraq including military, energy, economic and political assessments" (Heinberg 64)

It is very important to point out that Cheney's report which was the culmination of an Energy Task Force[11] report included a map of Iraqi oil fields, refineries, pipelines, in addition to other charts outlining the Iraqi oil and gas plans (ibid). The big reserves that Iraq possesses made the Government careful about the future of its economic hegemony especially in a time when the emergence of new powers is very likely to take place. This reveals that the Bush Administration was most likely planning to invade Iraq before the attacks of 9/11.

Richard Heinberg in his *Powerdown: Options and Actions for a Post-Carbon World* (2004) explains that since half of the American oil consumption depends on importation, warranting stable access to oil reserves and warranting stable prices became the reason why the US would use military intervention whenever it deems necessary to protect its future energy security. Heinberg supported his conclusion by arguing that Nixon in 1973 and Carter in 1979 overtly stated that they would use force to seize oil fields in both Saudi Arabia and Kuwait during the then oil embargo (64-65). To this regard, Neil Mackay in his *War on Truth: Everything You Ever Wanted to Know About the Invasion of Iraq but Your Government Wouldn't Tell You* (2007), argued that Cheney's document reveals that the US ought to consider outlining a plan by allying with key friendly industrial countries along with countries from the Middle East to draw a clear road map in regard to the Iraqi energy resources (83). The Baker Institute for Public Policy, which is a leading Think Tank[12] institute, links the oil energy with military policies. In other words, it believes in military intervention to secure the Iraqi oil fields and thus to secure the economic interests of the US. This reports also concluded that the US must play a key role in what it called the new game, otherwise the reports said "[the] US firms, US consumers and the US government [will be left] in a weaker position" (85).

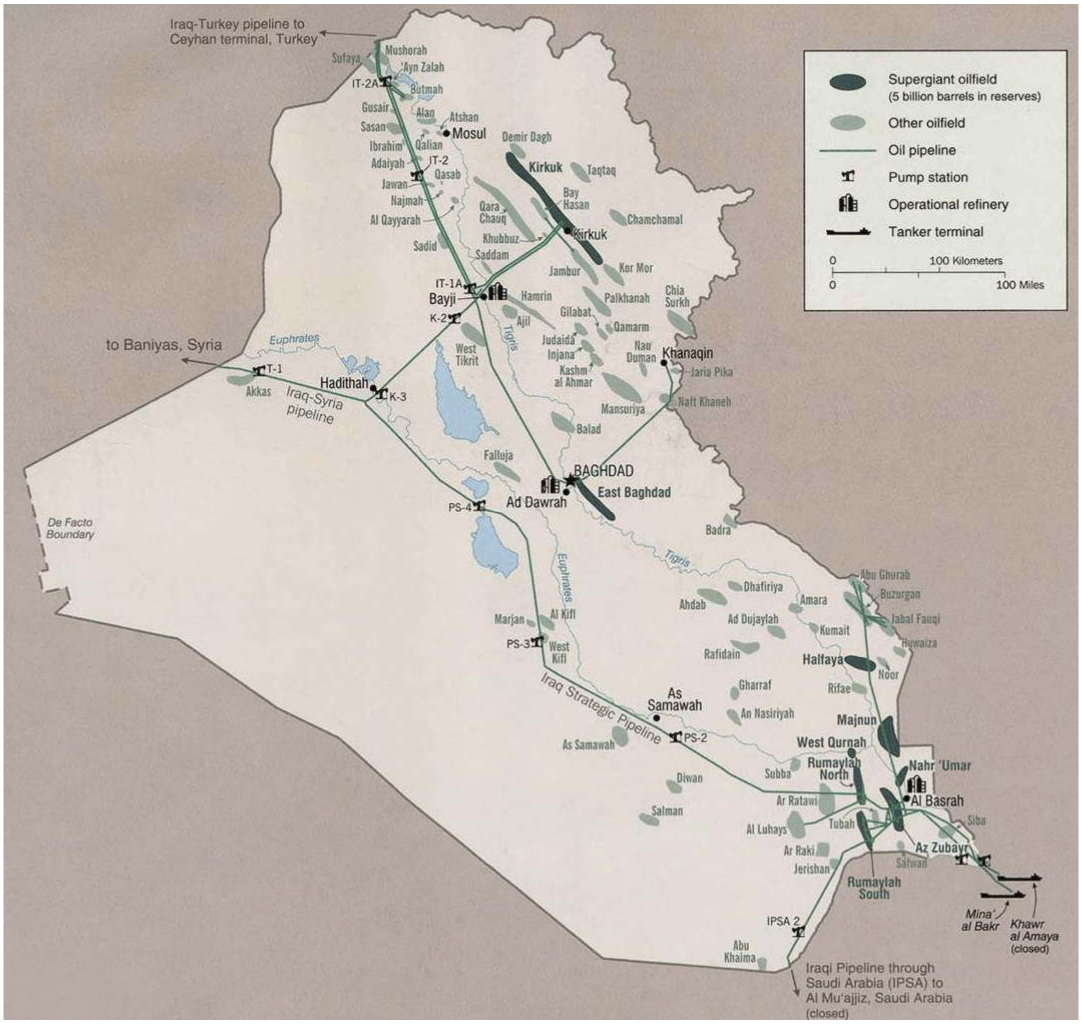
What made the Bush's Administration different from all the other previous ones was that some of its members were all connected, in some way, to oil industry. This might explain why some American along with other British oil companies were very interested in investing in the Iraqi oil fields before the attacks of 9/11. The British BBC News had shown in an article published on its website on March 12, 2003, that British Petroleum[13] (BP) and Shell[14] have established that they would be inclined in taking part in any projects set to develop the Iraqi oil fields if any "potential war in the area" is waged[15]. Katty Kay from BBC News confirmed in 2001that one third of senators before the invasion were millionaires and 10 of the candidates for the presidential elections counted millions in their bank accounts[16]. It becomes clear that private and public interests were paired before the war took place and even before the attacks of 9/11. The fact that very influential officials in the Bush Administration were oilmen, like Dick Cheney and Condoleezza Rice, makes this statement very logical. What makes this view more logical was the British MPs opposition to the war because of rumors about possible oil interests' involvement[17].

Another very interesting testimony about the American oil interest in the invasion of Iraq was the one of Alan Greenspan[18], an American economist and a former chairman of the FRB who was considered as the world's most influential banker, openly confessed in his memoir that oil was the driving force in the war on Iraq. This statement which came from a strong man in the world of finance shook the White House and became one of the most important testimonies about the real motives behind the invasion of Iraq. Greenspan said that "… [He is] saddened that it is politically inconvenient to acknowledge what everyone knows: the Iraq war is largely about oil" (J. Allen). Few days after, Greenspan confirmed his testimony in an interview with the Washington Post and he clearly stated that "the removal of Saddam Hussein had been essential to secure world oil supplies"

(Woodward). Greenspan pointed out that ousting Saddam Hussein and securing oil endowments in the country were vital to the stability of the global economy.

Besides official testimonies, other ones about the correlation between the American militarism and oil in the invasion of Iraq came from prominent scholars in the fields of geo-economics. Paul Rogers, a professor of peace studies at Bradford University and is an adviser for some well-known websites namely openDemocracy.com to which he provides international-security analysis, argued that ousting the regime of Saddam Hussein was primarily driven by what he called the geopolitics of oil. He stressed out that, and since the 1970's, the American dependence on oil importation from the Middle East and its strategy to safeguard access to large oil reserves has been the primary reason behind the country's militarism in the Gulf region. OPEC statistics about proven oil reserves in Iraq during the 1990's and early 2000's put Iraq the second after Saudi Arabia. Iraq possessed in 1998 more than 112000 million barrels of proven oil reserves and 115000 million barrels in 2001. [19]

Map 3: Iraqi oil Fields in 2017



Source: InterGroup: Map of Iraq's Oilfield.
http://ig-intergroup.com/images/Iraq_oil_map.jpg

This map shows that the largest Iraqi oil field in the one in the Kurdish controlled province, Kirkuk. This super giant reservoir is connected to the Turkish pipeline. The other large fields are located in the south around AL Basra near the Gulf Sea. These fields are connected to the Saudi pipelines. What is noticeable that in this map is that most of the Iraqi oil fields are located in the eastern part of the country not far from the Iranian borders.

Map 4: The American and British Military installations in Iraq in 2017

Source: Meyer, Sarah. "Iraq's US/UK Permanent Bases : Intentional Obfuscation." Global Research, 11 Apr. 2006, www.globalresearch.ca/iraq-s-us-uk-permanent-bases-intentional-obfuscation/2257.

By projecting this map on the previous one, we can notice that the American military bases are very close to the Iraqi proven oilfields. The map shows that there are four installations near the supergiant field of Kirkuk. The Turkish pipeline helps the US to pipe oil from Kirkuk to turkey and then to other international Markets. Thom Shanker and Eric Schmitt wrote in the New York Times on April 20, 2003 (during the war) that the American government was planning to establish permanent military installations in Iraq and thus a friendly regime in the country was necessary. Shanker and Schmitt stated that Government officials spoke in April 2003 about the possibility of maintaining four permanent bases in the country; One near Baghdad, at the international airport, another in Nasiriyah in the South, the third in the West and the fourth in the North. The four permanent bases are located right near strategic sites. The first one is near the airport to safeguard regular and safe air flights between the US and Iraq. While the second and the third are located near the strategic oilfields of Kirkuk and Al Basra, the third which is in the West was to be established along the old pipeline to Jordan[20]

EIA estimated in 2009 that the unexplored territory in the West and South of Iraq may hold an extra 45 to 100 billion barrels of oil. In addition, Iraq possesses 9 supergiant reservoirs and 22 known giant fields. Concerning gas, Iraq's proven natural gas assets count 112 trillion cubic feet. Geologists estimated the number to attain 275/300 trillion cubic feet which makes the country number ten in the world in terms of natural gas reserves (Iraq Energy Data, Statistics and Analysis - Oil, Gas, Electricity 1-6).Robert E. Ebel, a director of the energy program at the Center for Strategic and International Studies, expressed his attitude about the importance of oil and its direct relation to the security of the US. In his report that is titled *Societal Impact of Energy Security in Western Nations* (2004), Ebel proclaimed that:

> Oil fuels military power, national treasuries, and international politics. It is no longer a commodity to be bought and sold within the confines of traditional energy supply and demand balances. Rather, it has been transformed into a

> determinant of well-being, of national security, and of international power (03).

Ebel emphasized that 60 % of oil imports of the US come from countries that do not share with the same interests and thus the American national security energy is always in jeopardy (Ibid).

The Department of Defense planned for securing oil fields as soon as they enter Iraq in order to avoid any possible destruction to their infrastructure. Nick Paton Walsh, in the Guardian, said on the 26th of January, 2003 that probably, the plan to protect those oil fields was due to Saddam's plan to destroy them because he knew that Bush and his cabinet were coming to his country to secure a permanent access to the country's vast oil assets. Walsh explained that the security of oil fields and opening bids for companies before the invasion was in rhetoric more than discussing the security of the Iraqis (Walsh). Robert Dreyfuss[21], the author of *The Devil's Game: How the United States Helped Unleash Fundamentalist Islam* (2006) stated that the geopolitical perception which drove the US policy towards Iraq is the global dominance over any potential rival which may appear to threaten the American interests internationally as far as energy resources are concerned. He suggested that if the US wants to stay the most powerful, it must control key oil resources and especially in the Middle East. Controlling the key energy resources would allow the US to prevent other nations from accessing to key global energy reserves (Dreyfuss).

The war on Iraq was not only about Saddam's regime and WMD, but about who will be responsible for the second-largest oil reserve in the world. Iraqi oil reserves represent a major leverage that could bring a plus to the global oil markets and make them more active and stable. Most of Gulf's oil goes to Europe and Japan, but the US controls it and pumps most of it to markets. The invasion of Iraq permitted to the US to control the Iraqi supergiant oil endowments from one hand and to reduce its dependence on OPEC from the other hand. Controlling Iraqi oil fields would allow the US to manipulate the prices of the global markets by deciding on production levels.

4.2.2: Euros vs. Dollars: A Petrocurrency Rivalry

The introduction of EMU in the late of 1990's was a very imminent threat to the dollar hegemony due to the development of international financial markets that was likely to use euros in the international settlements. The result of the emergence of rival currency against the dollar would destabilize its global position that has traditionally sustained the dominance of the US dollar as an international reserve currency. The decision for military action against Iraq, for many analysts like Amir Butler, had nothing to do neither with 9/11, nor with the war on terrorism, nor with the UN weapons inspections, nor with weapons of mass destruction, nor with Iraq's human rights, nor with any of the pretenses that the US government tried to convince the world with. According to some economists, like James Paul, the only people who had benefited from the war on Iraq are the wealthy oil men who were the financiers of Bush's election campaign (Pace). Others, like Clark, however, believe that the invasion of Iraq was motivated by monetary reasons because oil transactions were denominated in dollars. When Saddam Hussein challenged the De-facto in 2000 and decided to price all his oil sales with euro currency instead of dollar, the threat became imminent and the American hegemony as a world superpower became at stake.

On October 30, 2000, a UN committee notified Iraq of its consent to open a Euro-denominated bank account to deal with payments of oil sales. The members of the Security

Council approved to create the account and stated that they could not reject it because they had no legal basis to block it. However, some diplomats and UN officials warned that the switch from dollars to euros in the Iraqi oil sales could cost millions of dollars in lost interests and other related revenues. Before the invasion, Iraq was paying most of its UN food-for-oil program in euro since 2001 through an account that was held at the French BNP Paribas in New York (Islam). With the euro, Iraq was gaining almost 25% against the dollar during 2001 because it cost around $1.05 to buy one euro. The Iraqi decision to price oil sales in euros was seen a strange act of political defiance but it had proved advantageous for Iraq (Butler).

In a meeting in Spain in April 2002, OPEC stated its concern to switch its oil sales from the dollar to the Euro. According to Butler, an executive director of the Australian Muslim Public Affairs Committee (AMPAC), if OPEC were to leave dollars and embrace euros as the regular medium in its oil transactions, grave consequences would hit the American economy. Industries depending on oil would have then to get rid of their holdings denominated in the American currency and convert them to euros as to be able to settle their oil purchases from OPEC. The inevitable result would be a market inflated with the US dollar which could, some economists estimate, drop to 40% in value. Butler concluded that as the currency drops, investors would abandon US stock markets which would double the imported products in the US and therefore its trade deficit would amplify.

Clark saw the war far from being a response to 9/11 terrorism or Iraq's alleged WMD. His book argues that the invasion was precipitated by two converging phenomena: the imminent peak in global oil production, and the ascendancy of the euro currency. Clark’s works are ignored by the corporate media in the US due to his dare in tackling such a subject. Clark links the emerging euro currency to Iraq's pricing of its oil as a very important element that pushed Washington to topple Saddam Hussein (23). Clark has expressed this concern by asserting that the emergence of EMU in 1999 established a completely new challenge to the American monetary supremacy which turned to be one of the fundamental economic reasons for the invasion of Iraq (24). According to Clark, the EU was seeking to control the world trade by removing the dollar from world financial markets and depositing the euro as the new international reserve currency. To this regard, the US understood that "Attacking Iraq and installing a client regime in Baghdad may have a preventative effect" (Butler). Therefore, Iraq would return to using dollars instead of euros from one hand and the US would deliver a violent example to any other country in the world planning a migration to the euros from another hand.

The currency which controls oil sales obviously controls world trade since oil is the wheel of the globe's industrial economies. The ultimate struggle between the US and the EU is about the currency that OPEC uses as its international medium for oil transactions. Hazel Henderson[22], a futurist and economist, sees that a transition in oil sales to euro in global trade of oil would make the US buying euro before it could purchase oil from other countries. This made Clark to conclude that the US opted for a pre-emptive strike counting on two key factors. The first one is the use of military force to secure hydrocarbon remaining fields and to use military along with different intelligence agencies to enforce the petrodollar arrangement (27). Moreover, what explains why Washington opted for a military intervention in Iraq is that some countries such as Iran, Venezuela and Russia stated explicitly their intention to migrate towards euro in their oil transactions and therefore militarism in the US foreign policies is used to help maintain the dollar hegemony which is the cornerstone of the American unilateral power.

The present global monetary pyramid is based on the US dollar as the leading reserve currency which makes 68[23] percent of the world's currency reserves. The Federal Reserve creates dollars and the rest of the world manufactures things that dollars can purchase. Central banks need to acquire and institute holdings in dollar in conforming amounts to their local currencies in circulation. This dollar prevalence has maintained the American supreme position in the monetary hierarchy and thus becoming the backbone of most of the emerging economies. The US advocated for a military attack against Iraq because the dollar's exceptional role as a petrodollar became at danger when Saddam Hussein shifted his oil sails from dollars to euros.

Conclusion

When the EU introduced its new monetary system in late 1999, the dollar lost its dominant role over global markets which existed since 1974[24]. A few months after its institution, the euro emerged as a very potential alternative to the dollar and became a very important currency in the financial markets. It has been established that the amount of the bonds and notes denominated in the different Europoean currencies before the creation of the EMS hardly counted 28 percent of the globe's assets at a time when the dollar counted merely 45 percent. However, and by mid-2003, the 17 percent gap became smaller attaining 2 percent only. (The euro accounted 41 % while the dollar accounted 43 percent)[25]. The threat posed to dollar monetary position as the international reserve currency became grave when OPEC started to consider pricing its oil sales in euros instead of dollars.

It is not surprising that the American war against Iraq turned out to be a geo-economic military action that aimed mainly at protecting and upholding the dollar hegemony through securing a permanent access to the second world large energy resources. The invasion of Iraq, as has been demonstrated in this chapter, has been carried out by the Bush Administration on false pretenses. Neither WMD, nor the Saddam Hussein's ties to *Al-Qaida* have been proven true. The different official announcements uttered by Bush and his cabinet members before 9/11 totally contradict the results of both the SSCI and the ISG. It becomes clear that the US government, whose key departments' secretaries were involved in oil industry, worked hand in hand with oil private business corporations to maintain the international oil system[26]. This strategy undoubtedly helped to maintain the dollar hegemony as the dominant global reserve currency.

End Notes

[1] Founder and Spiritual Leader of Taliban

[2] Mr. Duelfer issued a comprehensive report in the fall of 2004 that acknowledged that Iraq had destroyed its chemical and biological weapons in the early 1990's, years before the American invasion of 2003."Search for Illicit Weapons in Iraq Ends." The New York Times, The New York Times, 11 Jan. 2005, www.nytimes.com/2005/01/12/politics/12arms.html

[3] A diplomatic cable is a diplomatic correspondence. The etymology dates back to the 1850's when the first diplomatic correspondence was sent via telegraph. (e.g. the epic attempt to lay trans-Atlantic Cable in 1860s Kurbalija, Jovan. "What Is a Diplomatic Cable?" DiploFoundation, 17 Nov. 2011, www.diplomacy.edu/blog/what-diplomatic-cable.

[4] BHP is a leading global energy company.

[5] A chief executive officer (CEO) is the highest-ranking executive in a given company

[6] Own Nimir Petroleum, has led joint projects with the family of al Amoudi, which owns the famous Saudi Delta Oil company. Mairesse, Michelle. "The Bush-Saudi Connection." The Bush-Saudi Connection, www.hermes-press.com/BushSaud.htm.

[7] John Patrick O'Neill (February 6, 1952 – September 11, 2001) FBI Agent who was a counter-terrorist agent who died in 9/11.

[8] The currency by which oil is traded

[9] Lawrence Kumins, who is a specialist in energy policy, in his report to Congress on April 13, 2005 about Iraqi oil reserves, confirmed that "Iraq has the world's second-largest endowment of oil, amounting to 11% of the global total". Kumins, Lawrence. Iraq Oil: Reserves, Production, and Potential Revenues. 2005, pp. 1–6, Congressional Research Service.

[10] Since its inception in 1993, the James A. Baker III Institute for Public Policy, a part of Rice University, is of the leading public policy think tanks in the United States
<http://www.bakerinstitute.org/about/about_bipp.cfm>

[11] The American online dictionary defines Task Force as "a temporary grouping under one leader for the purpose of accomplishing a definite objective".

[12] Merriam Webster defines Think Thank as a group or an institution that is organized to examine a particular subject, like a policy issue, and provide information, ideas, and advice to the government and to the public.

[13] BP or British Petroleum is one of the world's leading oil and gas companies

[14] Shell Oil Company is an American global group of energy and petrochemical companies.

[15] The article was titled *Oil firms 'discuss Iraqi stake. http://news.bbc.co.uk/2/hi/business/2842315.stm*

[16] Katty Kay. "AMERICAS | Analysis: Oil and the Bush cabinet." BBC News, BBC, 29 Jan. 2001, news.bbc.co.uk/2/hi/americas/1138009.stm.

[17] Ibid.

[18] From 1987 until 2006, Alan Greenspan served as the chairman of the United States Federal Reserve Board. "Alan Greenspan." Federal Reserve History, www.federalreservehistory.org/people/alan_greenspan

[19] Source: Direct communications to the Secretariat..Oil & Gas Journal..National Sources..World Oil.Middle East Economic Survey.Petroleum Intelligence Weekly.Arab Oil & Gas.
World Petroleum Trends. BP Statistical Review of World Energy.
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General Conclusion

The concept of private interests in central banking and its influence on the policy-making in the US is not new in political scholarship. The US entry in WW I and WW II confirmed the warnings of Thomas Jefferson about the establishment of a central bank which was, according to him, “more dangerous than standing armies”[1]. Moreover, the policies of the Bush Administration confirmed William Clark’s writings on an American militarism based on the dollarization of its foreign policies and confirmed Murray Rothbard’s writings on the role of wealthy elites in manipulating the international affairs through abusing the power of the state. Deploying the US military to protect the dollar hegemony through ensuring the US access to global energy resources and thus securing open global markets became a top priority in the American foreign politics since the creation of the Federal Reserve System in 1913. WWI and its aftermaths helped to transfer the global financial supremacy from Europe to the US, and World War II pushed this balance even further to the US advantage.

The interests of the American banking establishment in turning the US into a war machine were evident in the wars that this dissertation investigated. The 17 amendment which expanded the Federal Reserve’s right to issue more banknotes after two months of US entry in WWI and the relaxation of the prohibition against direct purchases of Treasury debt in 1942 served primarily the interest of the Federal Reserve stockholders. Saddam Hussein defiance to the petrodollar diplomacy and the emergence of euro in late 1999, made the Bush Administration eager to restore order to the international financial markets. Knowing that oil is the most traded commodity in international markets and it is the lifeblood of global industries, the petro-military complex became the strategy by which the Bush Administration maintains the American monetary and financial supremacies.

The unconstitutionality of the Federal Reserve has always been controversial to many legal activists like Thomas D. Schauf, who believes that it is no longer doubtful that this institution is against the principles of the constitution. The refusal of the previous president of the FRB, Janet Yellen to accept more auditing measures on the FRB decisions made the present dissertation's hypothesis true. Constitutionally speaking, this institution is illegal and fraudulent. The founding Fathers agreed in article 1 section 8 of the US constitution that money creation is an absolute power of Congress. However, the twelve Federal Reserve banks are currently creating money either through printing them or through fractional reserve lending. This process of money-making pushed Wright Patman, Chairman of the House Banking and Currency Committee in the 1960s, to call the Federal Reserve "a money-making machine". The Federal Reserve was constantly creating money simply like any other commercial bank[2].

The role of the private bankers in the establishment of the first central bank in the US in 1913 after 77 years of no central-banking was very influential in setting up the monetary foundations of the institution. Bankers like the Morgan's, the Warburg's and others managed to secretly draw the general outlines of the Federal Reserve Act of 1913 which was passed through Congress during Christmas Eve when most of the Congressmen were on holidays. The secret meeting that was held on a deserted island without the knowledge or the consent of the government makes this institution wrapped up by suspicion and mystery. Moreover, the structure of the Federal Reserve System, which is a private institution that opens its shares to the private cartels for investment, makes its monetary policies under the influence of private interests.

The announcement of the German embassy in New York on April 22, 1915 and which was published on the New York Times informed the American passengers intending to travel on the Lusitania, the British sea liner that they were very likely to be attacked by the Germans since they were travelling on a ship that belonged to their enemy. A controversy around this incident is still up-to date as why would the British Lusitania sail into a war zone that was dense with German vessels after roughly one month from the warning message that the German embassy posted on New York Times. What was first mysterious about the mighty Lusitania was that it sank in 18 minutes after a German U-boat firing a single shot. The second mystery was about what caused the second explosion that was heard from miles away. In 1982, diving became so popular among the British who wanted to explore the wreck site of the Lusitania. The British government warned those scuba divers that weaponries and explosives exist inside the ship and that grave injury or death was highly possible[3]. It is noteworthy that the German justification for hitting the Lusitania was based on their intelligence that the vessel carried ammunitions to the British which explains why there was a second explosion. These facts make the conspirational theories that go around this incident more plausible especially when taking into account that it took place almost one year after the creation of the Federal Reserve whose board of directors included a German banker who immigrated to the US in 1902.

The amounts of benefits that have been accumulated during WWI made the American banking system the first recipients of large benefits because of the enormous increase in the Government and public spending. Moreover, and in addition to an increase in the money supply after the institution of the Federal Reserve, European countries became a very lucrative market to the local manufacturers and businessmen who were borrowing huge amount of money from banks, and thus from the Federal Reserve, to meet the increasing demand coming from the overseas namely from Europe. After the Sinking of the mysterious Lusitania, the US joined the war and thus its spending increased by 11 times shifting from merely $1,333 million in 1916 to $15,585 million in the last year of the War[4]. This tremendous increase in the Government's spending, through borrowing mainly from the Federal Reserve, made the military spending to increase by more than 17 times jumping from merely $477 million in 1916 to $8,580 million in 1918[5]. The American military intervention in Europe made the Fed' increase of money supply and the American militarism very interconnected.

The main benefits that permitted to the Federal Reserve and the American banking network to flourish were the revenues collected from the loans that had been advanced to the allies in the form of bonds. The total loans that the Allied governments borrowed from the US counted around $7,077 million during the war and approximately $2,521 million after the war making the total cash loans to attain $9.598 million. The loans did not stop at these figures after the end of the liberty bonds because many Allied Governments failed to pay back their debts and therefore they were required to borrow again from the same banks to pay back their debts. This put the borrowers in more debts and most likely that the money which would be repaid by the borrower would be higher than the original loan itself which means more benefits to the bankers.

The banking presence did not manifest during WWI only, but it lasted many years after the end of the war. The role of the American banking cartels during the German reparations was very influential. From Dawes Plan in 1924 to Young plan in 1929, private banking interests were well represented by eminent figures that had strong ties with the banking sector. Charles Dawes who was an American banker and politician and whose brother Henry Dawes was a member of the FRB, utilized the financial burden that Germany was requested to pay during the Treaty of Versailles for their benefits through providing loans to the German government and to the private sectors alike. Young Plan was not different from Dawes Plan. Owen D. Young was a J.P. Morgan representative who chaired the German Reparations International Commission. These banks were the financial support of Germany during the post-WWI era helping the country to rebuild its devastated economy. The correlation between the American banking system and the country's militarized tendency during WWI was very tight as the US broke from its long isolationist policies and joined the international military conflicts three years after the establishment of the Federal Reserve.

The Federal Reserve's role during WWII was very significant in rising funds to the Federal Government especially after it was given permission to purchase Treasury securities (the war bonds) after it was suspended in 1935. It helped finance private corporations to invest in military manufacturing and it provided the Allies with the necessary funds to purchase war materials from the US. The FRB succeeded in amending, through Congress, the Federal Reserve Act of 1913. Therefore, the institution in question was enabled to change reserve requirements in central reserve cities[6], it was authorized to directly purchase government securities from the Treasury and the last amendment was to exempt war loan deposits from reserve requirements for the duration of the emergency. The FRB managed to purchase $20 billion of treasury securities in the form of war bonds which allowed it to serve as a printing press for the Treasury resulting in a 138 percent increase in the money stock[7].

In fact, the American companies, be they financial or industrial, did not militarize the American politics during WWII only but they contributed directly in the armament and the rise of Hitler in Germany. Many American Cartels managed, thanks to the German reparations, to open affiliates in Germany and thus transferring war technologies to Hitler. Moreover, and more importantly, some members of the FRB of New York were members in the directory board of the American I.G which had an affiliate in Germany called I.G Farben.

The Introduction of Bretton Woods in 1944 marked a new global monetary and financial era. With a devastated Europe, the American dollar was pegged to gold and turned up to be the most trusted currency in the international trade settlements. This position was shaken when countries like France and Britain started redeeming their dollar reserves into gold. As a response, Nixon decided, in 1971, to stop the convertibility of dollars into gold which marked, two years later, the beginning of the petrodollar era after a secret deal with the Saudis to price their oil sales in dollars only in return for military protection. This era allowed the Federal Reserve to intensely increase debt-financing through expanding the global supply of dollars. Since then, the dollar hegemony became a strategic weapon for the future of the American dominance.

Oil, which was and still the most traded commodity in the world, replaced gold after the collapse of the gold standard. Therefore, securing the world energy resources became a top priority in the American foreign policies. Henry Kiesinger, who was a prominent figure in the establishment of the petrodollar diplomacy with Saudi Arabia, stated about the importance of the dollar hegemony by saying that “Who controls the food supply controls the people; who controls the energy can control whole continents; who controls money can control the world”[8]. The Middle East region, which possesses 67 percent [9] of the Global oil reserves, became geostrategic in the American foreign policies. Countries around the world do not only purchase oil barrels using the dollar currency but they agreed to keep their excess profits in the US and invest them in Government’s security bonds. Therefore, building friendly ties with

Gulf countries would mean securing access to oil resources from one hand and protecting the dollar hegemony from the other hand.

The war on Afghanistan was largely a geostrategic military intervention which aimed at securing the Caspian energy fields from the Russians, Chinese and EU longings. There is a prospect of huge reserves of crude oil and natural gas in the Caspian region, and therefore a resulting increase in oil and natural gas production. Diversifying energy resources has always been a priority in Congressional discussions on energy policy. The American energy interests in the region dates back to before 9/11 when Unocal, a leading gas company from the US, discussed with *Taliban* the construction of a pipeline from the gas-rich Turkmenistan to Pakistan via Afghanistan[10]. The American invasion of Afghanistan was not just for the sake of chasing terrorists, but the economic imperatives were of high consideration. The American corporations, namely Unocal, along with the American Government were very interested in securing an access to the rich energy fields of the Caspian Sea to pipe gas/oil from there to the Arabia Sea via both Afghanistan and Pakistan.

A direct financial connection between the Federal Reserve and the military intervention in Afghanistan is not very apparent, but the war maintained the American access to potential energy sources which, by its turn, maintained the dollar hegemony. Controlling the Caspian energy endowments would ensure a double effect on the American dominance. The first is to secure large energy resources for the US and the second is to make sure that the dollar will remain the medium of exchange, in regard to gas/oil trade, in the region which is very close to two major rivals to the American monetary hegemony, the Russians and the Chinese.

Like any other commodity, the dollar is subject to supply and demand in international markets. The petrodollar causes a high demand for the American currency which keeps its hegemony from being the chief medium of exchange in international trade. It is noteworthy that 70 percent[11] of the printed one hundred dollar bills are outside the US because of the huge demand that is placed on the dollar which is a result of the increasing demand on oil. Katusa concluded that if oil around the world starts to be traded in gold or in other currencies, the demand for dollars will collapse and the inevitable consequence will be a decline in the American economy worse than the one of the Great Depression. The war on Iraq was largely meant to eradicate the concept of selling oil in euros and therefore it will never surface again after the US managed to install its puppet government in Iraq because the Bush's Administration.

A strong partnership between industry and government arose after the introduction of the petrodollar diplomacy. A petro-military complex was established throughout which oil producing countries, oil companies, American banks and arms industry developed a network of bilateral interests[12]. Therefore, dozens of US military bases have been built to protect strategic energy resources. Countries which are not coping with Washington's foreign policies on energy issues like Iran and Venezuela have been termed by Bush as Axis of Evil and thus military intervention remains very possible in these two countries. According to Iraklis Tsavdaridis, Secretary of the World Peace Council, "The establishment of U.S. military bases should not of course be seen simply in terms of direct military ends. They are always used to promote the economic and political objectives of U.S. capitalism"[13].The British politician William Pitt stated in 1770 that there is a power behind the throne that is more powerful than the king himself[14]. This quote was confirmed by Murray Rothbard[15] during the 1980's in his social class analysis when he examined how big tycoons have steadily controlled the American domestic and foreign policy. The rich elites are capable of manipulating global businesses through their connection to state power. Global affairs are not random incidents but they are the results of certain choices made by human beings.

The Federal Reserve System, and under pressure from some politicians, released details of 21,000 transactions it made after the economic financial crisis of 2008. The documents of the American central bank disclosed that the institution initiated "thousands of secret loans [$3.3tn] to global firms as well as to foreign banks and some other American billionaires[16]. The Federal Reserve strongly refused to release those documents but pressure coming from the Vermont senator Bernie Sanders, insisted that the Dodd-Frank Wall Street Reform Act[17] signed in the summer of 2010 involved a provision that the FRB has to explain how it distributed capital during the credit crisis. The released papers show that short-term loans counting approximately $600bn had been advanced to the Goldman Sachs; while almost $2tn to Morgan Stanley; and $1.8tn … etc…[18]. At a Senate Budget Committee hearing in 2009, Bernie Sanders asked Ben Bernanke, the Chair of The FRB (2006-2014), to inform the American people about the names of the financial institutions that received a "backdoor bailout". Sanders stated in the committee that he was planning to open an investigation to track the secret loans that had been advanced to some big corporates. Sanders believe that those loans had not been invested in the economy but rather were lent to the Federal Government which will pay back those loans at a higher interest rate[19]. Sander's standpoint from the FRB practices came to confirm the mystery that enfolded this institution since 1913 and made the conspiracy theories that have been advanced against it more valuable.

These discussions, testimonies and figures confirm the hypotheses that this dissertation advanced in the sense that the Federal Reserve system is being under a mystery of private influence and that this unconstitutional institution is no longer working to fulfill the goals that were initially set forth for it but rather working to serve different companies whose interests are interconnected and connected with some Government officials especially during the Bush's administration. Moreover, it has been confirmed that this institution is responsible for the militarized interventions that the US waged on some foreign countries whose energy resources are vital to its national and economic securities.

What make the general public unaware of the Federal Reserve's policies are generally the language and the financial jargon it implements when addressing its policies in media[20]. The connection between the increase in the Federal Reserve's money supply and the American warfare has been confirmed in three out of four case studies that this dissertation opted for. WWI and WWII, the War on Iraq and Afghanistan had been an outcome of the mysterious creation of the Federal Reserve. The latter, instead of providing sound monetary system to the government, became the reason why the US government turned into a war machine that strikes whenever its hegemony, which is based on the petrodollar, is in jeopardy. Moreover, the present study, lays a sound ground to investigate deeply the petrodollar system and its benefits to the American Economy. Future researches should consider the relationship between the warfare and the dollarization of the American foreign politics with an insightful rapport with the American military bases that are built worldwide. As long as oil is still priced in American dollars, the latter's hegemony will keep functioning and will make the US a stronger empire.

End Notes

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[13] Ibid
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Abstract

This dissertation comes to unravel the untold mechanisms of the American militarized foreign policies. It investigates the authentic motives behind the American militarism in the last 90 years by examining the great wars in which it was involved. The main hypothesis that has been advanced in this work is that the "unconstitutional" Federal Reserve System, which is dominated by ruthless banking interests, influenced the American foreign policies by turning the country into a non-stop war machine.

Key Words: The Federal Reserve System, The American Militarism, the American Foreign Politics, World War I, World II, the War on Afghanistan, the War on Iraq

Résumé

L'objet de ce travail est de mettre la lumière sur la face obscure du processus de militarisation de la politique étrangère américaine. Cette thèse analyse les vraies motivations de l'engagement militaire américain durant les 90 dernières années en examinant les grandes guerres dans lesquelles les Etats-Unis ont été impliqués. L'hypothèse avancée dans ce travail stipule que le système « inconstitutionnel » de la Réserve Fédérale, dominé par des intérêts bancaires, a influencé la politique étrangère américaine en faisant du pays une machine de guerre

Mots Clés : Le système de la Réserve fédérale, le militarisme américain, la politique étrangère américaine, la Première Guerre mondiale, la Seconde Guerre mondiale, la guerre contre l'Afghanistan, la guerre contre l'Irak

ملخص

تسعى هذه الأطروحة إلى إماطة اللثام عن الأليات المتحكمة في السياسة العسكرية الخارجية للولايات المتحدة الأمريكية. كما تحاول النظر في الدوافع الحقيقية وراء سياسة العسكرة الأمريكية خلال القرن الماضي، وذلك من خلال الوقوف على أهم الحروب التي خاضتها.ويقوم بحثنا على فرضية مفادها أن البنك الفدرالي، والذي تستحوذ البنوك فيه على سياسة القرار، يؤثر بشكل مباشر في السياسة الخارجية الأمريكية جاعلا منها الة حرب فتاكة.

كلمات مفتاحية :نظام الاحتياطي الفيدرالي، العسكرة الأمريكية، السياسة الخارجية الأمريكية، الحرب العالمية الأولى، الحرب العالمية الثانية، الحرب على أفغانستان، الحرب على العراق