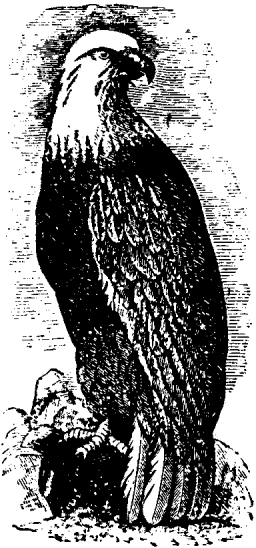


Notice:

This issue of the *Frontiersman* contains contact information that is out-of-date. For current contact information, [click here](#).



Frontiersman

Facing the truth, however great the cost.

June 2007

A Den of Thieves: Debt to the Bank, Summary, and Some Considerations

Sam Aurelius Milam III

This is the fourth and final article in a series of articles that I'm presenting in this newsletter. The first article, [*A Den of Thieves: Fractional Reserve Banking*](#), appeared in the December 2006 issue. The second article, [*A Den of Thieves: Cash Dollars In Circulation*](#), appeared in the February 2007 issue. The third article, [*A Den of Thieves: Deposits, Loans, and Fictional Dollars*](#), appeared in the April 2007 issue. The articles are based on my essay [*They Can Fool Too Many Of The People Too Much Of The Time*](#). Due to the limited amount of space in this newsletter, I'm eliminating from the articles a lot of material that's included in the essay. However, copies of the essay are available upon request. The essay is also available on *Pharos*. For the sake of avoiding confusion, I'm going to retain the table numbers in these articles as they appear in the essay. Thus, the tables that appear in this article are Tables 5, 6, and 7, not Tables 1, 2, and 3. That's because they're Tables 5, 6, and 7 in the essay.

During cycles of fractional reserve deposits and loans, an indebtedness to the bank accumulates. Tables 5, 6, and 7 reveal several interesting features of that debt. First (Table 5), the fewer dollars that the bank holds on reserve the greater will be the eventual indebtedness to it. That gives the bank an incentive to lower the cash reserve requirement. Second (Table 6), the more times that the bank re-loans the same dollars, the greater will be the indebtedness to it.

That gives the bank an incentive to make loans. And finally (Table 7), the more of their cash dollars that the people deposit in the bank, the more they enable it to make them indebted to it.

A more subtle feature of the debt is that the dollars used to repay it must come from some source outside of the fractional reserve deposit and loan cycle. That is, they must be new dol-

Fraction held on Reserve	Dollars Owed to the Bank	
	50% Redeposited	75% Redeposited
1.0	0.00	0.00
.9	105.26	108.11
.8	222.22	235.29
.7	352.94	387.10
.6	500.00	571.43
.5	666.67	799.96
.4	857.14	1090.54
.3	1067.89	1471.34
.2	1333.19	1987.91
.1	1635.81	2714.86
.0	1998.05	3774.75

Number of Loans	Dollars Owed to the Bank
1	900.00
2	1305.00
3	1487.25
4	1569.26
5	1606.17
6	1622.78
7	1630.25
8	1633.61
9	1635.13
10	1635.81

Fraction Redeposited	Dollars Owed to the Bank
0.0	600.00
.1	638.30
.2	681.82
.3	731.71
.4	789.47
.5	857.14
.6	937.47
.7	1034.31
.8	1153.10
.9	1301.60
1.0	1490.93

lars in the sense that they are not a part of the original deposit. There are some good reasons for this. All cash dollars associated with the original deposit (those on reserve in the bank and those placed back into circulation by loans) are not enough to repay the debt. The dollars used to repay the debt can't have originated as loans themselves. That would only transfer the debt from one →

Please use the enclosed envelope to send a contribution. I prefer cash. For checks or money orders, please inquire.

For PayPal payments, use editor@frontiersman.my3website.net.

Back issues are available at <http://frontiersman.my3website.net/>. Also see *Pharos* at <http://pharos.my3website.net/>.

loan to another, and not repay it. Ultimately, fractional reserve loans can be repaid ONLY with cash dollars not previously part of the fractional reserve deposit and loan cycles.¹

Fractional reserve loans can be repaid only with new cash dollars.

This is a **very** important point, for two reasons. First, it means that cash dollars must continuously enter the economy because the cycles of fractional reserve deposits and loans transfer cash dollars from circulation and into the bank. The second reason is that if the supply of new cash dollars is insufficient, then it will be impossible to repay the loans. There's a sinister implication in this. Since the Federal Reserve System controls the "money" supply, it might be possible for it to control the ease or difficulty of loan repayments. The reality of this power is difficult to estimate because the real banking system only resembles a true fractional reserve banking system, but isn't one. Thus, the real powers of the Federal Reserve System are more mysterious than I've demonstrated in this series of articles. This theoretical power could allow the Federal Reserve System to accumulate a lot of property by removing it from the ownership of individuals by disabling the payments of mortgages. Remember, the Federal Reserve System owns the various lending agencies.

The Federal Reserve System potentially has the power to force defaults of loans, and foreclosures of mortgages, regardless of the integrity of the borrowers.

Various points revealed in this series of articles can be summarized as relevant.

- The "money" in use today isn't very good money, if it's money at all. The banking system that exists today doesn't operate according to the principles of fractional reserve banking. Fractional reserve banking can exist only when deposits are cash deposits. Deposits by check

¹ In the real banking system, those loans are repaid by check. What do the checks represent and where does it come from? Anyone who ponders this will probably begin to appreciate the sinister complexity of the present banking system, the honest simplicity of a cash economy, and the gulf between the two.

are not cash deposits. In a fractional reserve banking system, it's impossible for a bank to loan anything except cash. Fractional reserve is a meaningless concept when transactions are not in cash.

- Fractional reserve banking removes cash from circulation, discourages cash transactions, creates a large number of dollars that can be used ONLY for non-cash transactions, and creates a strong incentive for the use of such non-cash transactions. Thus, even an ideal fractional reserve banking system will tend to destroy itself.

- Fractional reserve loans can be repaid only with dollars not previously part of the fractional reserve deposit and loan cycle. If the supply of new dollars is insufficient, then the loans cannot be repaid. Since the Federal Reserve System is in control of the supply of new dollars, it might have the power to force defaults on loans and mortgages.

The growing predominance of checkbook transactions and electronic transactions, and the fear of using cash, verify the tendency toward a cashless economy. That economy will, I believe, be inherently more vulnerable to instability than a cash economy.² However, to understand the implications of a cashless economy requires more than arithmetic. Its undesirability derives not only from economic considerations, but from political ones.

- Cash accepted from another party is good regardless of his character. However, the integrity of a cashless transaction depends upon the integrity of the parties to the transaction. Therefore, a cashless economy mandates an identity requirement whereby the parties to a transaction must prove their identities prior to the transaction. That principle is already in force. Government ID is a prerequisite for participation in today's banking system and in most of the rest of the economy.

- In a cashless economy, the identities and activities of all participants are visible to the government. There can't be any privacy.³ That →

² See my essay [Money](#).

³ One has to pause and wonder how congressmen could ever tolerate such a system.

Please use the enclosed envelope to send a contribution. I prefer cash. For checks or money orders, please inquire. For PayPal payments, use editor@frontiersman.my3website.net.

Back issues are available at <http://frontiersman.my3website.net/>. Also see *Pharos* at <http://pharos.my3website.net/>.

principle of a cashless economy is in force today. Banks will reveal any financial record to a government agency upon request, without any need for the consent of the customer. In fact, the customer might not even be informed.

- In a cashless economy, the banking system doesn't serve its customers. It serves its master. Today, the banking system routinely reports to government agencies, enforces government policies, and complies with government regulations. The system's response to a customer objection can best be summarized as "love it or leave it".

Someone who thinks that he has little to hide might belittle the importance of a loss of privacy. That's a naive attitude. Whether or not a person has something to hide will have less to do with that person's activities than it does with other people's attitudes toward those activities. We don't have any control over the attitudes of other people. We can't even guess what those attitudes will be tomorrow but we can speculate that they'll be more repressive than they are today. Even so, it might still seem innocent enough if we suppose that everyone is honest, that the institutions are there for our benefit, and that the business of government is to protect us. However, I can't ignore the long history of tyranny, the present state of the world, the vulnerability of the people, and the persecutions to which they have usually been subjected. Information is power and the cashless economy

Letter to the Editor

Sam:

I like the prison letters: good to know what is going on inside the American Gulag.

—Joseph; Northridge, California

In recent years, I've been gaining subscribers among the prison population and losing subscribers among the outside population. Prisoners appear to understand the Frontiersman much better than people on the outside. They pass the newsletters around for months and copies turn up in prisons where I don't even have any subscribers. I suspect that prison life destroys the brainwashing. If that's the case, then the government is really shooting itself in the foot by putting so many people in the prisons. —editor

makes all of the details of our lives available to the government. The ironic part is that nobody is (yet) required by legislation to use the banks. It's theoretically voluntary, yet people keep doing it.

The present political system claims to derive its just powers from the consent of the governed.⁴ The most noteworthy result of that claim is to place upon the governed a responsibility for the actions of government. There's just enough truth to the theory to make it barely plausible. In this particular case, the banks can't make loans unless people borrow dollars from the banks. Checkbook transactions won't happen unless people write checks. If enough people demand their dollars in cash then they'll get them that way, at least until the banks are bankrupt.⁵ The point is that the banks couldn't function AT ALL if the people would refuse to use the banks. The entire banking system, as it exists today, rests squarely upon the solid support of the people.

No one has yet determined if it's possible to fool all of the people all of the time but the Federal Reserve System has shown that it can fool too many of them too much of the time. Whatever happens, one thing is certain. As usual, the people will be getting what they deserve. ☞

4 It remains mute, or lies, with regard to the pedigree of its unjust powers.

5 Cute word.

Realistic Potential

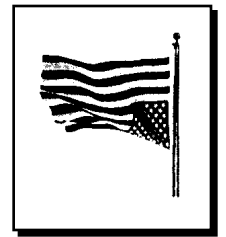
Original Source Unknown. Forwarded by an inmate.

One time, a kid asked his father the difference between *potentially* and *realistically*. His father told him to go ask his mother if she'd sleep with Brad Pitt for a million dollars. The kid came back and told his father that his mother had said yes. So, his father told him to go ask his brother and his sister the same question. They both said Yes. When the kid told his father the results, his father asked the kid what he'd learned. The kid pondered for a few seconds and said, "Potentially, we're sitting on a gold mine but realistically we're living with two hookers and a congressman." ∞

Please use the enclosed envelope to send a contribution. I prefer cash. For checks or money orders, please inquire.

For PayPal payments, use editor@frontiersman.my3website.net.

Back issues are available at <http://frontiersman.my3website.net/>. Also see *Pharos* at <http://pharos.my3website.net/>.

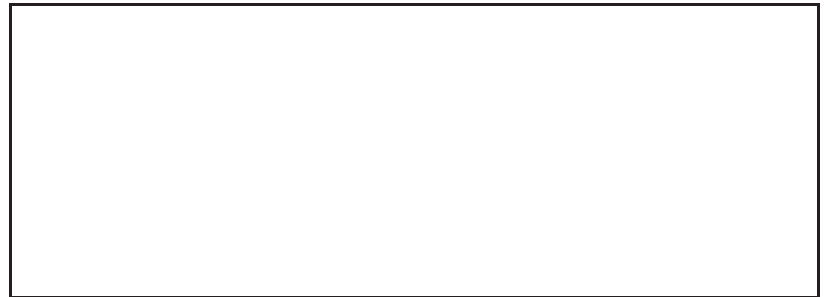


Nation in Distress

Baer's Quartet

1. Good politics is bad economics.
2. Bad politics is good economics.
3. Good economics is bad politics.
4. Bad economics is good politics.

—Eugene W. Baer
Middletown, Rhode Island



Acknowledgments

My thanks to the following: Sir James the Bold; SantaClara Bob; Lady Jan the Voluptuous; Lord Jeffrey the Studious; my mother; and Sir John the Generous. —editor

Changing Times

Original Source Unknown.
Forwarded by Steve, of Fremont, California.

Scenario: Jeffrey won't be still in class. He disturbs the other students.

1956: Jeffrey is given a good paddling by the principal. After that, he sits still in class.

2006: Jeffrey is given huge doses of Ritalin and becomes a zombie. The school gets extra funding because Jeffrey has a disability. ∞

Frontiersman

Cancellations — If you don't want to keep receiving this newsletter, then print REFUSED, RETURN TO SENDER above your name and address and return the newsletter. When I receive it, I'll terminate your subscription. You can also cancel by letter, e-mail, carrier pigeon, or any other method that gets the message to me.

Back Issues — Back issues or extra copies of this newsletter are available upon request.

Reprint Policy — Permission is hereby granted to reproduce this newsletter in its entirety or to reproduce material from it, provided that the reproduction is accurate and that proper credit is given. Please note that I do not have the authority to give permission to reprint material that I have reprinted from other sources. For that permission, you must go to the original source. I would appreciate receiving a courtesy copy of any docu-

Science Definitions From Kids

Original Source Unknown. Forwarded by an inmate.

- Germinate: to become a naturalized German
- Equator: a menagerie lion running around the earth through Africa ∞

Alternate Meanings for Words

Attributed to the Washington Post.
Forwarded by Lady Nancy the Enchanting.

- Negligent, *adj.* absentmindedly answering the door when wearing only a nightgown
- Lymph, *v.* to walk with a lisp
- Willy-Nilly, *adj.* impotent
- Flatulence, *n.* emergency vehicle that picks up someone who has been run over by a steamroller ∞

ment or publication in which you reprint my material.

Submissions — I solicit letters, articles, and cartoons for the newsletter, but I don't pay for them. Short items are more likely to be printed. I suggest that letters and articles be shorter than 500 words but that's flexible depending on space available and the content of the piece. I give credit for all items printed unless the author specifies otherwise.

Payment — This newsletter isn't for sale. If you care to make a voluntary contribution, then I prefer cash or U.S. postage stamps. For checks or money orders please inquire. For PayPal payments, use editor@frontiersman.my3website.net. I don't accept anything that requires me to provide ID to receive it. In case anybody's curious, I also accept gold, silver, platinum, etc. The continued existence of the newsletter will depend, in part, on such contributions.

—Sam Aurelius Milam III, editor

Please use the enclosed envelope to send a contribution. I prefer cash. For checks or money orders, please inquire.

For PayPal payments, use editor@frontiersman.my3website.net.

Back issues are available at <http://frontiersman.my3website.net/>. Also see *Pharos* at <http://pharos.my3website.net/>.