

**—THE—  
TRUTH  
—IN—  
MONEY  
—BOOK—**

**BY  
THEODORE R. THOREN  
AND  
RICHARD F. WARNER**

PERDANA  
LEADERSHIP  
FOUNDATION  
YAYASAN  
KEPIMPINAN  
PERDANA

During the 1980s recession, did you have an awful time because you had too much money and not enough things to spend it on?

Have you ever wondered why the U.S. Treasury is trillions of dollars in debt, while the Federal Reserve System's collective debt is ZERO?

Do you ever ask yourself: how come we can create spaceships to send men to the moon, but we can't seem to create enough money to pay for educating our kids, for repairing our crumbling bridges, and for helping the homeless? Is money more difficult to create than spaceships?

Do you wish that someone would write a book about the Federal Reserve System that doesn't take a lifetime to read, is simple to understand, and absolutely factual?

Here is the book that answers these, and hundreds of other questions about money, banking and the Federal Reserve System. *The Truth In Money Book* is a no-nonsense little book that tells you exactly how the banking system creates and destroys the money supply, how interest causes inflation, and how another crippling recession can be avoided.

The bottom line isn't gloom and doom or a veiled plan to raise your taxes. *The Truth In Money Book* offers an ingenious program for funding government projects without tax increases. The authors explain how the application of a fundamental provision in the Constitution plus a variation on the legislation that President Lincoln used to avoid borrowing money at 30% interest, can be used *now* to pull the country out of debt and save you a bundle in local, state, and Federal taxes.





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PUSTAKA PERDANA )



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# D·E·D·I·C·A·T·I·O·N

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This textbook is dedicated to Peter Cook. His fifty years of research and analysis of fractional reserve deposit expansion money systems, together with the objective reports of his findings and his discovery of Monetary Science, inspired the authors to write this book.

We are indebted to Peter Cook for his unselfishness in making his library available to us and for his infinite patience as a teacher of the truths that are vital to monetary justice and the survival of free enterprise.

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# F·O·R·E·W·O·R·D

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This isn't an ordinary book on money. First, it is short. Second, it is printed in large type. Third, it is written in dialogue style.

Why? Because you need to know how the Federal Reserve money system works and how another economic collapse can be prevented. This book is designed to tell you what you need to know without wasting your time.

The premise of this book is that the money system is too important to your financial well-being and your political freedom to be buried in small type and minute historical detail. The fundamentals of the system are actually quite simple. What causes confusion is the language generally used to explain how banks create money. We have cut through this confusion in order to present the fundamentals of money creation clearly and concisely.

The confusion that besets the language of economics creates the impression that only experts can understand the money system. After all, how can you argue with someone who calls money "monetary aggregates" and taxes "revenue enhancements"? This language barrier shuts down free and open debate of new solutions to the deficit problem, the government's multi-trillion dollar debt, high interest rates, the high cost of housing, food shortages, homelessness, rising prices, the loss of manufacturing jobs, the farm crisis and scores of other related problems.

Such chronic difficulties are bound to take root in the economy when the principles of money creation are misunderstood—particularly by elected officials. This book explains these principles in their inherent simplicity and opens the way for discussion and, ultimately, monetary reform.

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## **The organization of this book**

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The first two chapters of this third edition explain how money is created by the Federal Reserve and commercial banks. In these chapters we tell how debt is more than a fact of life in finance: it is the very foundation of a flawed money system. The concluding chapters outline the Treasury Credit Money System which is designed to keep the supply of money in balance with the demand for it—a radical departure from the Federal Reserve's well-documented habit of cutting off the supply just when demand is greatest.

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## **Why a third edition?**

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This is the third edition of *The Truth in Money Book*. The contents and structure are basically the same as in the previous editions. It is the rapid growth of debt since the second edition that made this new edition necessary: the Federal debt has grown by almost \$1.5 trillion and the total

private sector debt has, on a conservative estimate, increased by \$2 trillion. The projections in the earlier editions were on target.

While we may be pleased with the accuracy of our projections, debt growth of this magnitude is a dangerous sign of chronic instability within the money system. The spiral of debt growth must be broken—soon. The scientific solution presented in the Treasury Credit Money System is more urgently needed now than it was four years ago or in 1980 when the first edition was published.

The ideas in this book may sound radical and, occasionally, may contradict the teachings of conventional economics. We did not set out to be deliberately controversial. We simply found that common sense and logic frequently contradict the premises of conventional economics. Being controversial, therefore, became a strength, not a weakness. The scientific approach to the subject of money which we advocate is long overdue.

*The Truth in Money Book* will give you new insights to help you with your own finances. It will also give you renewed confidence that the economic problems, which stand in the way of the country's progress, can be solved without the chaos of hyperinflation or the calamity of a depression.

Finally, we hope that this book proves to you that, as the truth of money is understood, the problems of money are solved.

Ted Thoren  
Dick Warner

## The invitation

When Ed and Martha moved into the neighborhood, our friendship began in the usual way. First we exchanged remarks about the weather, then it was gardening tips. Now we exchange tools and talk about our families and local politics and world affairs.

We hadn't talked much about money, until recently. Ed has a good job. He bought one of the nicest, though oldest, houses on the street and did a great job of fixing it up. He isn't a man who worries about life. So I was surprised to hear him complain the other day while we were out on an errand together. He had just bought a tank of gas for the Jeep and we were ready to pull out of the filling station.

"I don't know where my money goes," he said as he urged the Jeep to start with three quick pumps on the gas pedal. "From what I read in *The Wall Street Journal*, inflation is supposed to be under control. I'm not sure how they figure it. I haven't noticed prices going anywhere but up over the last five years. The money goes through our household budget so fast you wouldn't believe it. And we're not extravagant, that's for sure."

"Yes, when prices keep going up, even if only by a little bit each month, it's still inflation, no matter what *The Wall Street Journal* says," I replied.

“What inflation really means is that our money is losing its value—its purchasing power.”

Ed thought about this for a moment or two and then said, “You’re right, I don’t always look at a dollar bill and think, ‘Hey, this doesn’t buy as much as it did two years ago,’ but that is really what is happening. As the dollar buys less, companies start looking for ways to cut costs, and they end up moving to the Far East, Mexico, Brazil or some other place where it is less expensive to operate. This part of the country has really suffered from major companies leaving to find cheaper labor. I’ve been fortunate to hold on to my job. Some of my friends haven’t been so fortunate.”

“Ed, have you ever considered . . .” I started to say but he broke in impatiently.

“My friends who lost their jobs aren’t lazy. They’re not greedy. They were working hard making tires and cars and radios—things that people need. Look what happened. They lost their jobs and the next thing you know they lost their houses. They couldn’t make the interest payments. The banks moved in and they were forced out. The farmers were the first. They were put off their land by the thousands and nobody seemed able to do anything about it. It makes me think that there is something fishy going on in this country.”

“Yes,” I replied. “It does make you wonder when you see the progress we have made and the way the country has grown and at the same time see so many people struggling to make a living.”

“The thing I don’t understand,” Ed continued,

“is how we can have economic problems over the years and still not seem to learn anything from them. You know what I mean? We have had depressions and times of inflation and the economic experts say, ‘Sorry, folks, guess we got it wrong again. Just hang on for the next boom.’ That kind of attitude doesn’t make sense.”

“You know, these were just the problems that bothered me for years. After I retired I finally had the time to think about money and the problems it causes,” I replied.

“I know you’ve been studying the money system for a few years. I only had a basic economics course in school and that was so confusing I forgot everything I learned as soon as I passed the final exam. If you have the time, I sure would like to talk with you some more about what’s going wrong with our money,” Ed said.

“That would be great,” I answered. “If you and Martha would come over to our home some evening—bring a few friends if you want to—I’ll explain to you exactly what causes our money to lose its value. It’s an amazing story and, unlike your economics courses, it isn’t hard to understand at all. What may seem even more amazing is that there is a scientific way to prevent the economic collapse that so many people have been predicting.”

Ed quickly accepted, “I’ll be there! I want to learn about what is wrong with the money system so I can protect my savings.”

So he and Martha and their good friends Carl and Nancy came over. This is what I told them.