EXPLANATORY NOTES FOR CITY COUNCIL ATTACHMENTS.

The following numbered notes relate to each of the attached documents.

Items 1 and 2 represent the focal points of COG's argument for Constitutional Money.. These two pieces of vital legislation establish beyond doubt that banks should be borrowing from our government and paying interest, not the other way around.

MONETARY LEGISLATION & DOCUMENTATION – The Problem and the Solution

1. Constitution of Canada Shows incontestably that our elected Parliament has the sole and exclusive right to create our nation's money. The *Canadian Constitution* is the fundamental law of the land, superseding all other. The Supreme Court has ruled that 'the Constitution belongs not to parliament but to the people of Canada' and 'can only be changed by public referendum.

2. The Bank of Canada Act of 1934 unconstitutionally – and therefore illegally - passed the right to create Canada's money – the most sacred responsibility of any Sovereign nation – to a *privately-controlled* Bank of Canada.

Under Section 5 of the Act, the Minister of Finance is not allowed to sit on the Board and the Deputy Minister, *an unelected senior bureaucrat* (historically with 'investment bank' or IMF/World Bank connections) who does sit on the Board advises and observes but may not vote**.**

This is not how representative democracy is meant to work!

This Section proves beyond question that the Bank is operated as a private bank with no accountability to Parliament, The conditional right conferred on the Finance Minister by Section 14-2, to overrule any decision by the Bank's Governor, *has never been exercised in the 77 years of the Bank's history.*

To operate in accordance with the Constitution, the Bank should be run as an extension of the Finance Ministry and fully accountable to Parliament.. As such its cost of operations would be part of the government's budget and recovered via taxation just like every other department. It would not *need* to charge interest but any interest it did charge would be for the credit of the people's treasury, not to the profit of private banks. The bank's right to privately create the money of our nation must be abrogated.

3. Vernon City Council Resolution 18th April 1994 – Copy of the Constitutional Money resolution passed by Vernon City Council after a presentation by our predecessors, Canadians for Constitutional Money.

4. 1995 Report by Chairman of the MFA (Municipal Finance Authority)
In one sense, the Municipal Finance Authority (MFA), is to municipalities what the Bank of Canada is to Parliament; not a public institution but a private and independent entity fronting for an exclusive "syndicate" of international bond brokers. It sells municipal bonds via its syndicate and charges us interest at whatever rate 'the market' dictates.

Fourteen municipalities in BC and Ontario supported the Constitutional initiative between 1994 and 1995 and the proposal began gaining strong public support as measured by the number of letters received by local media and the turn-out of more than 200 people to a public meeting in Penticton.

The first reaction by the MFA was to secure support for the *status quo* from municipal Treasurers and the Executives of municipal organisations like the UBCM. Local mayors even received letters from the Governor of the Bank of Canada opposing our actions. (See Objections and Rebuttals).

Our presentations in Vernon and Penticton specifically targeted the high interest rates of some long-term debentures and the US$ exchange losses incurred by the imprudent sale of some key debentures in US funds via US Investment banks.

The MFA's second reaction, as confirmed in this 1995 Report by their Chairman, was to unexpectedly 'forgive' millions of dollars in principal and interest and guiltily 'repay' to municipal treasuries what were described as 'overpayments' and 'foreign exchange refunds', including **$785,000 to Vernon and $600,000 to Penticton, where Constitutional Money presentations had been made to City Councils amidst strong public support.**

5. Vernon City Council Resolution 12th November 1996. Following another presentation made to City Council on the 28th October 1996, City Council resolved on the 12th November to request that the Constitutional Money proposal be included in the 1997 Convention agendas by UBCM. OMMA and the FCM. This request was – to the best of public knowledge - ignored by all three Executive committees. It is not clear whether any follow up was made by City Council**. (In 1994 a similar Resolution was placed on the agenda of the UBCM as Resolution No. B100, but all discussion was terminated by the Chairman of the UBCM Executive at B 99).**

Had the proposal been discussed and approved by UBCM, OMMA and FCM members as expected, given its success rate at the municipal level, **Vernon would have saved in the ensuing years an estimated $50 million in interest charges**. ***The total savings for all 160 BC Municipalities would be close to $560 million dollars!***

6.Vernon City Council Resolution 20th January 1997. Following two further presentations to City Council and amidst continuing and escalating public support, City Council decided to establish a Special Committee to explore Constitutional Money and vote on its viability.

7. Report of the Special Committee on Constitutional Money. Chaired by a City councillor, members included a retired Royal Bank manager, an economic analyst, a retired teacher and a local businessman. The City Treasurer, who was not named to the Committee in the Resolution of 20th January 1997, joined as a self-appointed member.

This Committee, after four lengthy meetings over a one-month period, voted 5-1 in support of the City's Resolution. The only negative vote came from the City Treasurer who had been openly opposed from the time of the initial presentation at Council and who, when asked by a member of the Committee to explain his reasons for opposition replied, "I don't need to give any reasons".

8, Proposed 2012 Resolution for City Council consideration. The deteriorating economy – despite Ottawa's assurances to the contrary – the collapse of financial markets over recent years, the evidence of massive fraud by financial institutions, their insatiable greed and the inability of multi-billion Global Economic Forums to offer solutions apart from raising taxes and fees, slashing social programs and selling off public assets, has renewed interest in the concept of Constitutional Money; particularly in Canada and the US.

The benefits of new communication technologies and the power of social networking has given new impetus to those seeking positive, peaceful change and many see a new monetary system as a key element during this period of immense transformation.

THE MAGNITUDE OF DEBT – HOW CAN WE POSSIBLY "OWE ALL THIS TO *OURSELVES*?

9 and 10. City of Vernon's' debt figures. We are all well aware of the limitations placed upon your desire for community improvements by the burden of previously accrued debts and the high cost of servicing these. In the year of 2011 the debt reached $38 million and cost roughly $2.7 million to service.

It is estimated that, in the 42 years since the MFA's inception, Vernon's taxpayers have paid them more than $120 million in interest – a huge drain that has denied our community - young and old alike - a large array of public amenities and community services.

*11. and 12. Hospital and School District debts, W*hen last checked in 1995/1996 the **Regional Hospital District's debenture debts totalled more than $41 million and the interest charges totalled $5.3 million, an average interest rate of almost 13%! School District #22 had debts exceeding $55 million and the interest rates on the 47 different debentures were as high as 17.1%.** Total interest charges were not revealed.

Today it is extremely difficult for a member of the public to obtain a clear picture of the gross debts of our Hospital and School District because of changes in the system of accounting and the complexity of their financing. **Both entities are, however, ultimately financed through the MFA** and the total debt and interest charges almost impossible to isolate and identify with accuracy.

13. Canada's Municipal debt and interest figures. The last time we checked, the total debt figure for the major municipalities in the Thompson/ Okanagan (not including Salmon Arm) stood at roughly **$185 million.** Although now outdated, we include this chart to help drive home the immense debt burden carried at the municipal level and emphasise that these figures are not included in provincial financial statements.

This has broad implications. According to the Auditors Notes that formed part of the City's 2010 Financial Report, a **2009 actuarial evaluation proved that the province-wide Pension Plan that is meant to cover the City of Vernon's public employees is more than a *billion* dollars short of its required funds for basic pension benefits.**

It should be noted that the average cost of debt servicing by individual BC municipalities is approximately $3.5 million. The actual cost obviously varies depending on the interest rate at the time of the loan – but this rate is determined by the central banking system and is something over which our government has absolutely no control.

With 160 UBCM members the total cost of debt servicing for our communities – arranged exclusively via the MFA on behalf of their private banking consortium – would therefore be a staggering figure, estimated at well in excess of half a billion dollars.

The Federation of Canadian Municipalities (FCM) has 1,900 member municipalities. If the same average applies across our nation, then **exclusive bond dealers or investment bankers extract approximately $6.7 billion from municipal taxpayers every year; debts and interest charges that do not appear in any provincial or federal accounting statements.**

That's an incredible 'return' for the MFA's exclusive syndicate of private bankers considering they incur no risks, no longer issue paper bonds and the 'money' provided is, provably, no more than electronic impulses on a computer chip. It's time for us all to wake up and take action to correct an insane state of affairs that is crippling the otherwise vibrant, skilled and creative communities where we live, work and raise our families.

14 and 15. BC's debt and interest figures **Provincial debt in 1995 stood at $27 billion**. **In 2011, despite huge sell-offs of public assets – many at fire-sale prices, to the taxpayers' detriment –** it had escalated to **$47 billion. Interest charges were at an historical low, but BC taxpayers still paid out $2 billion to service this horrendous debt**.

16. 6th April 1991 Vancouver Sun graph. This graph, part of a Vancouver Sun article on Canada's debt, began seriously climbing with the arrival of Trudeau's Liberals in 1968. **By 1982, the destructively high interest rates of the early 80s had pushed it to $100 billion. Between 1982 and 1985 it doubled to $200 billion**. Mulroney's Conservatives, between 1984 and 1992 watched silently as compounding interest from private bankers strengthened its grip on Canada**, driving federal debt to a reported $423 billion by 1992**. **According to the Auditor General's Report of 1993, between 1867 and 1992, $386 billion (91%) of that debt load had been consumed by interest charges to the benefit of the bankers, while only $37 billion (9%) had actually gone toward building capital assets, goods and services for the benefit of Canadians.**

Today, the *true* debt figures are extremely hard to find, but one would have to add at least 6 pages above this chart to allow room for the display of gross debt – and 3 pages to its left to project the flat line back to Confederation. **The real point of this chart, however, is the proof it provides that changing political parties has no effect whatsoever on the curve of our nation's compounding debt. Federal elections are a farce until the issue of debt-money is corrected.**

17. Canada's federal government debt figure. The federal government debt alone; in other words Ottawa's debt **(**often misguidedly referred to as 'the national debt' or 'Canada's debt') now stands at around **$700 billion** and Canadian **taxpayers spent $60 billion last year in interest according to these StatsCan figures. That's the equivalent of $160 million a day!** One can only imagine how many vitally needed services could be funded with such an income, or what a huge reduction in taxes could be made for the benefit of the economy if we weren't unconstitutionally filling the banker's coffers with public funds.

According to the Fraser Institute's last report in September 2009, if *unfunded liabilities* such as the CPP, Old Age Security and Medicare were included, Canada's gross debt would climb by another $1.5 trillion. There are justifiable concerns that government pension benefits are moving toward extinction in favour of total privatisation along American lines..

In respect of our federal taxes, one thing is certain**; even if Ottawa were to tax 100% of our incomes, our national debt can *never* be repaid in full** – that is unless hyper-inflation reduces our economy to total chaos, such as occurred in Germany in the 30's when bank notes of a trillion marks were printed on one side only,

18. Stephen Harper – "Deficit spending essential". This article refers to a 2008 speech made by our Prime Minister in Lima, Peru. In simple terms, he announced that Canada now has no choice but to add to its federal debt-load by spending more every year than it takes in and by continuing to try and **'borrow itself out of debt'**. This can only mean that taxes and fees will continue to rise, provincial transfer payments and services will be further cut back and Canada's last remaining *public* assets, purchased with the taxes of previous generations of hard-working Canadians, will be sold off, or 'privatised', with proceeds going toward debt interest payments or into General Revenue in a doomed attempt 'to wrestle the deficit to the ground'. (The Canadian Wheat Board is just the latest in a long line of such 'Crown Corporation' sales).

SIMPLIFIED MONEY MECHANICS – The World's Best Kept Secrets

19. Graham Towers – 1939 Committee on Banking and Commerce. This is the most revealing exposé of the Bank of Canada's principle purpose you are ever likely to read. Note, however, the Governor's confirmation in the final exchange with Gerry McGeer K.C., *that "anything needed and achievable can be made financially possible"*. The original transcript is still on record with the Library of Parliament.

20.1980 Bank Act – Monetary expansion – Maximum. Bank Reserves set at only 10% of Assets. Originally, banks were required to maintain 50% of their assets in reserve to ensure their solvency even in the event of a 100% default rate by their borrowers. Over the years each new Bank Act reduced this percentage.

By 1980 Reserve requirements were as low as 1% to 10% depending upon the term of the deposit liability. With a 10% reserve requirement a bank could lend out 10 times the value of its assets. At 8% banks could legally lend out 12.5 times their capital assets. That's how monetary expansion occurs and is the primary reason why, while an inch has remained an inch; and a litre has remained a litre – fiercely protected by law for hundreds of years – the dollar as a measurement has been constantly devalued.

Monetary expansion and compounding interest are the primary causes of devaluation/inflation and the reasons why, for example, a house that cost $5,000 in 1946 could sell for $250,000 in 2006, or the value of a new automobile today could have bought you 4,000 acres of land in 1940. Lending money you didn't have and creating money out of thin air – or to use its modern euphemism; 'leveraging' – were both fraudulent practices that could have earned a European money-lender a long prison sentence in the Middle Ages. Over past decades, however, parliamentarians – most of them with little understanding of economics or finance – have misguidedly allowed these practices to become legal. But the banks' few controlling shareholders were still not satisfied and their lobbyists kept up the pressure.

21. 1991 Bank Act – 'Primary Reserve requirements removed completely. On the 9th December 1991, Bill C-19 was passed reducing reserve requirements to zero. **Banks were, from 1st January 1993, free to create as much money as they chose for the dual purpose of both lending and investing. One might well ask 'if Banks, then why not our government – within strict limits? Obviously a government that can print bonds can just as easily print money to the same amount; except that they have to pay *interest* to the bankers on bonds that they the government create, whereas any *money* the government prints could earn interest and be used to reduce taxation.**

From the point that reserve requirements were totally eliminated, bankers' excesses were controlled only by 'self-regulation' and the central banks' preferred method of economic control was by interest and foreign exchange rate manipulation and by credit expansion and contraction Money markets became gambling casinos.

22. Usury and Compounding interest . The destructive built-in power of compounding interest to grow exponentially –the ability of money to breed more money–- is not fully understood by many. In the past century, however, rates in excess of 20% have become commonplace because federal politicians, ill-educated in financial/economic matters, and senior bureaucrats influenced by well-heeled bank lobbyists, have removed most of the barriers.

We used to be protected by anti-usury laws that limited interest charges to 6%. This chart shows how rapidly a **$100** debt can grow once it becomes un-repayable. It will be noted that quadrupling the interest rate from 3% to 12% increases the debt by a factor of 2,400 over 90 years. Now imagine a government debt of **$100 billion** and remember that Canada has not been out of debt since Confederation.

23. Debt-money and Usury will collapse any economy. This chart speaks to the inherent danger of allowing usury to flourish; it demonstrates the fatal flaw that has perpetuated itself to the present day in the form of compounded interest and explains why in biblical times the year of the *Jubilee* was introduced. It marked the 50th year – the end of seven 7-year Sabbaticals – and required that all debt be forgiven and slaves returned to the land of their captivity.

In this example, a debt of $100 is compounded at the rate of 6% per annum. It can be observed that after the 50th year, the curve of debt begins accelerating toward the near-vertical; racing toward inevitable collapse. Such a personal debt load in biblical times would have required the debtor to sell his cloak, his home, his business, his chattels or even his children. It explains why usurers were so reviled by society.

Note that the original $100 is the only actual *money* – real money –involved. The money to pay future interest doesn't exist. Today that means, since the money to *repay* a bank loan is not created at the time of the loan, it has to be *borrowed* into circulation by some other debtor(s); thus perpetuating a 'debt-money' system that 'grows' debt exponentially.

For as long as the present private money system operates as it does, this flaw will continue to destroy our and other nation's economies. In 1939, after ten years of an impoverished and despairing Depression that wreaked havoc with the lives of billions of people, the answer was found in a war economy where suddenly – and quite miraculously – money was made available in vast quantities for the required military/industrial infra-structure, weapons, ammunition, uniforms, planes and ships; most of which were conveniently consumed in the war. For those of us who lived through those evil days, the current situation in the Middle East looks horribly like a re-run, but knowledge, accompanied by action, can set us free.

24 and 25. Usury's connections with debt, taxes and inflation – and with Canadian, US and UK debt. Canada has been in serious debt since the 1930s and its plotted growth follows a strikingly similar path to that which would apply to a compound interest chart calculated at an average of 7% for 120 years. (A 2%-5% change in percentage points would only advance or delay the curve – it would still grow exponentially, eventually rising vertically upward)

The point of the first four graphs is to prove the oft-overlooked association between the 'magic' of compounding interest, government debt, the need for taxation to keep pace with debt's growth and the concomitant growth of inflation *caused by needless debt and taxation.* The near-identical nature of these trajectories is no coincidence; it is the product of a fatally-flawed monetary system that must be changed if we, our children and grandchildren are to ever know a peaceful world, free of corporate greed, environmental destruction, constant wars, poverty, hunger and despair - and free to live in harmony with a bountiful planet.

The second set of 4 graphs need no explanation, but one might question how the debt all three such 'prosperous' nations follow curves so strongly similar? In fact, the debt curves of the entire G-20 follow a near-identical pattern. One would think that international economists might want to examine that phenomenon.

<u>26. No shortage of money</u> **The Depository Trust and Clearing Corporation (DTCC)** – its shares held exclusively by private banks - was created in 1999 to provide for the clearance, settlement and custody of **all equity, corporate debt and municipal bond transactions** in the U.S. They turned over $70 trillion in their first year – the value of the entire world's GNP. Their declared mission was "to become the provider of choice, world-wide". They crossed that threshold in 2004 completing financial transactions for **$1 quadrillion** in securities transactions. A quadrillion dollars is almost impossible for the mind to grasp, but to try and put that figure into perspective; it would take 32 million years to count to one quadrillion from zero, one second at a time!

By 2007 this figure had risen to an incredible $1.86 quadrillion

$1,860,000,000,000,000

DTCC have 'associates' in every country around the world, from G-7 and Argentina to Russia and Uruguay, from China and India to the Ukraine and Uzbekistan - and that includes ***the Canadian Depository for Securities (CDS),*** who provide no Canadian figures but are believed to account for as much as 8% of the global total, according to a US Congressional Report. **Vernon's debenture debt would be part of CDS's Canada-wide clearances and settlements, *via the MFA***.

*<u>27. Goldman Sachs - **$10 billion** in bonuses.</u>* This article provides just one of many examples of the greed and arrogance of international bankers who are busy **pocketing taxpayers' bail-out money with impunity** and, whose fraudulent dealings are pushing the entire world into bankruptcy.

<u>28. Mark Carney ex-Goldman Sachs</u> It would be a total waste of time to ask Mark Carney, present Governor of the Bank of Canada – and ex-Goldman Sachs – his opinion on whether or not the Constitutional Money proposal now being made by COGs has merit. It would be like asking a distiller whether he was willing to finance a global conference of teetotallers, yet that was the 'final step' recommended by the City Treasurer in 1997, before City Council closed the doors on the proposal, ignoring its earlier Resolution to initiate open, democratic discussion of this vitally important subject by the OMMA, UBCM and FCM Annual Convention members.