

CHAPTER 17

Grand Larceny

After the first edition of this book was published, we were contacted by new sources, with thousands more pages of documentary evidence, and answers to many remaining questions.

We now have photographic proof that Ben Valmores was, in fact, the valet of Prince Takeda during the Pacific War, and was in direct contact with General Yamashita. This is verified by a photo taken by a Japanese Army photographer in occupied Manchuria in the summer of 1944. It shows General Yamashita standing next to Prince Takeda, with young Ben Valmores immediately behind the general.¹ The prince went to Manchuria to brief Yamashita, who had just been ordered by Emperor Hirohito to take over command of all Japanese troops in the Philippines. A few days after this photograph was taken, the general flew to Manila. Although the photo was published in 1944 in Japanese newspapers, Ben was not identified.² The picture was one of Ben's treasures, kept hidden in a tin box until two years after his death.

More surprising, we located Yamashita's chauffeur, Major Kojima Kashii, the man who gave Santa Romana and Lansdale the secret locations of twelve imperial treasure vaults in 1945. At the time, Kojima was 31-years-old, serving as an aide to the general, and as his driver. He was captured separately from Yamashita, and put in Bilibad Prison where Santy and Lansdale had him tortured to reveal the locations of treasure sites the general personally visited during the last year of the war. Later, the story was put about by Lansdale that Kojima committed suicide in his prison cell. In fact, we now know that Kojima readily gave in and agreed to show Santy and Lansdale a dozen treasure vaults in return for his freedom and a large bribe. Returning to Japan, where he kept a low profile with his family until the end of the U.S. occupation in the early 1950s, Kojima (travelling under various pseudonyms) began making discreet trips back to the Philippines, with various partners. Posing as businessmen, they recovered

treasure from imperial vaults and “officers’ stashes”, where gold and gems had been hidden in the closing months of the war. Many of these recoveries were made on Clark Air Force Base, with the full knowledge and permission of the U.S. Government. (A brief summary of these recoveries on the base appears in our Annotations.)³ For more than fifty years, these recoveries kept Kojima a rich man. On our CDs we have a color photo of Kojima at age 88, taken on his last visit to Manila in 2002, still looking dashing and handsome. Our Filipino source, who met Kojima in Manila in the 1990s, knew nothing of his past. He said Kojima at that time used his name openly, but it meant nothing to him. Gradually, Kojima revealed more and more about his background, and how he knew the locations of so many vaults, travelling by car with Yamashita. In 2002, Kojima said that would be his last recovery, and his last visit to Manila, because of age and health. When he did not return, Kojima’s Filipino friend gave us the photo, and recounted their adventures treasure hunting together.

On his final trip in 2002, Kojima and his Japanese partners recovered two metric tons of small gold biscuit bars. They were in such high spirits they became careless and had their Filipino helpers drive them directly to a Japanese shipping line in Subic Bay. At a warehouse beside the pier, the Filipinos were allowed to watch from a distance as Kojima and his associates slipped the small ingots through a hole in the massive front cylinder of a “steam roller”, typically used to flatten gravel aggregate during highway construction. The opening at the end of the roller was then welded shut and the machine was lifted by crane onto a Japanese freighter, to be taken to Yokohama for “repairs”.

In a moment of nostalgia afterwards, while celebrating the recovery with a bottle of Suntory whisky, Kojima told our source what happened in late spring of 1945, when General Yamashita moved with his troops into the wild mountains of the Kiangnan Pocket for their last defense of the war. Having no further need of an automobile, Yamashita ordered Kojima to go to Dingalan Bay to oversee the unloading of treasure from a Japanese ship and hiding it in a tunnel ashore. Yamashita was giving his aide a chance to escape capture by U.S. troops, which is why Kojima was eventually captured separately.

The riddle of Santa Romana’s true allegiance also has been revealed. We were always puzzled by whether he was really a CIA agent, when he seemed (until the early 1970s) to know so little about the Agency’s history and covert activities. Authoritative sources in Spain with strong ties to the Philippines have now

confirmed that Santy was actually a secret agent of the Vatican. Santy did have ties to the wartime U.S. underground in the Philippines, overseen for General MacArthur by General Whitney, General Willoughby, and Colonel McMicking. After the war, Santy did work in harness with Lansdale and the CIA. But his real loyalty was to the Vatican. Sources close to the Manila archdiocese always insisted that Santy was “working for the Vatican”, and was not a CIA agent.

Our Spanish sources have now told us that Santy was “training for the Church” before the war. Given that he had been married twice already, with children from both marriages, in a country where divorce was illegal, he was a bigamist. So he was clearly not training for the priesthood. Instead, long before the Japanese invasion, Santy became a lay member of one of the Vatican’s militant orders. There are a number of these, most prominent being the Jesuits, Dominicans, and Opus Dei. The sources refuse to be explicit about which order Santy worked directly for, arguing that ultimately he was working for the bishops and cardinals in charge of the Vatican’s financial office.

After decades of shrinking Vatican influence in world affairs, the austere Eugenio Pacelli, Pope Pius XII, reached an accommodation with Hitler that gave the Pope and the Vatican increased control of traditionally independent Catholics in Germany. Under Pius XII, the Vatican also was the only state to officially recognize Japanese control of Manchuria. Even before the attack on Pearl Harbor, Emperor Hirohito’s emissaries were pressing the Pope to negotiate an eventual peace settlement to Tokyo’s advantage, allowing Japan to keep the lands it conquered. To sweeten this bid for the Pope’s favor, Hirohito had his financial advisers move \$45-million to the Vatican bank in Rome and to Vatican-controlled banks in Portugal and Spain.⁴ After invading the Philippines, however, Japanese brutality destroyed any hope of Vatican support. So, while the Vatican’s relationship with the Nazis remained ambiguous, its relationship with Japan chilled. As churches and cathedrals were desecrated to dig underground vaults for war loot, and priests and nuns were murdered, agents like Santa Romana worked against the Japanese and kept logs of which churches and cathedrals now hid hoards of treasure.

In Luzon, Leyte, Cebu, and other islands during the war, Santy ran his own underground of hundreds of agents, including priests, bishops, and street rabble. Court documents show that it was during the Japanese occupation that he first invented his many pseudonyms, to avoid disclosing his real name.⁵ Because of

his high-level connections in the Church and in the underground, Santy's network also included members of the influential family of Jose P. Laurel, pre-war head of a political clique in Luzon, who became Japan's wartime puppet president of the Philippines.

This intimate connection between the Laurels and Santa Romana started in the 1920s, runs like a bloody thread through the war, through the gold recoveries after the war, through the secret movement of black gold to banks around the world, through the dictatorship of Ferdinand Marcos, and today it runs right up to the White House Oval Office.

Before the war, Jose Laurel (1891-1959) was a Superior Court judge in Manila, a judge with a grudge going back decades. The grudge began early in 1898 when America sank its own battleship, the *Maine*, in Havana harbor in order to provoke the Spanish-American War, enabling it to divest Spain of much of its overseas empire. In 1901, when the United States had seized the Philippines from Spain, and was harshly suppressing the Filipino people's struggle for independence, Laurel's father was tortured by American soldiers. Later, when Jose studied law at Yale University, he felt snubbed and abused by racist Yankee classmates. He went on to study in Tokyo, becoming fluent in Japanese. Setting up a law practice in Manila, he detested the American colonial government, and began organizing his own mafia, modelled on traditional pirate syndicates of the archipelago.

Laurel was at heart a nationalist, keen to cultivate acolytes, and quick to make deals with the super-rich Overseas Chinese families who controlled the Philippine economy and the underworld. Some of these Hokkien and Fukien Chinese families, adopting Spanish names, were the biggest landowners in Luzon, other than the Church itself. Like Laurel, the Chinese wanted independence for the Philippines – independence from America as well as from Spain. During four centuries of Spanish colonial rule, rich Chinese had been victims of official extortion, had their property seized, and were expelled back to China. They fared no better under American rule, which pandered to the interests of Chiang Kai-shek's corrupt Kuomintang regime.⁶ So the Laurels and the Chinese had similar passions.

When Jose Laurel was first appointed a judge in Manila, he became an ally of Judge Ferdinand Chua, head of one of the six richest Chinese clans in Luzon. Because of an affair with a chambermaid, Judge Chua had the odd distinction of being the natural father of the future Philippine dictator, Ferdinand Marcos.⁷ Although his paternity was never admitted, Chua found a husband

for the chambermaid, and paid for the child's education, including putting Marcos through law school. In 1928, when young Marcos faced murder charges for shooting a political rival, Judge Laurel took over the case, dismissed all evidence of Marcos's guilt and personally handed the accused his law degree. In this way, Laurel created a blood debt that had to be repaid by Judge Chua. Six years later, the debt was repaid with a massive quantity of Chinese and Filipino gold – 1,665 metric tons, to be exact – loaned to the U.S. Federal Reserve in exchange for Federal Reserve bonds.

Why this same gold has become a matter of bitter contention and embarrassment to the U.S. government seventy years later has everything to do with the corruption spawned by the Black Eagle Trust and the Federal Reserve System. Its similarities to the scandal of the M-Fund in Japan are astonishing. Ultimately, the ghosts of Santa Romana and Jose Laurel have come back to haunt Washington along with the ghost of Norbert Schlei and other victims of its grand larceny.

What lies behind this scandal and mischief is surprisingly simple: Once citizens of a country relinquish control of their money to private bankers, they are at the bankers' mercy – which is the whole idea. When citizens are then deprived of the right to keep precious metal like gold – which has true value because of its rarity – they have no alternative but to make do with the paper money printed and manipulated by private bankers – literally monopoly money. In return for printing all the paper money they wish, to profit by manipulating money-supply to cause inflation or deflation, bankers get to hold all the gold as their monopoly. Once the gold is in their vaults, some is retained on display. But most of the gold vanishes offshore, or into private accounts in Switzerland. The Swiss, in turn, keep some of it under Zurich Airport, where it is in transit like petty cash, but most precious metal goes into underground vaults deep in the Alps that are also strongholds of the Swiss Army, secure against nuclear war.

Account holders may think some gold or platinum is theirs because they have title to it in bonds or certificates, with lots of supporting paperwork provided by the bank. But – as we've seen again and again in this book – if they try to redeem the bonds or certs, chances are they will end up arrested, imprisoned, or murdered, and their bonds and certs will be confiscated and vanish. The story of Graham Halksworth, which we briefly recount in this chapter, is a case in point.⁸ Even when the certs are denounced as counterfeit they are confiscated and held in secure

government facilities, instead of being destroyed on the spot, indicating that they are not, actually, counterfeit.

A journalist at the *Financial Times* told us: “It has now reached a point where you can go into one of the big banks in New York, London or Zurich, give them half a metric ton of gold in return for a certificate of ownership, walk around the block for ten minutes, re-enter the same bank, and they’ll deny ever seeing you before, and have you arrested for presenting them with a counterfeit certificate.” He was not joking.

In Europe and Asia, this has been the case for centuries. Rulers whose armies and police gave them a monopoly on violence enjoyed squandering the money they stole or confiscated, but they knew nothing about manipulating money and making it grow. So they gave this job to clever financial advisers who served as their bankers. Thereafter, these bankers influenced all policy decisions. When bankers gained too much influence, or rulers found themselves too deep in debt, they put the bankers to death, or sent them into exile, thus cancelling the debt. (There are obvious equations between murdering people and imprisoning them, as in both cases they are removed.) A perfect example was Europe’s first banking network, created by the Knights Templar in the 11th and 12th centuries. They lent the king of France a lot of money, which made him realize they probably had much more hidden away. He ordered his police and army to arrest all the Templars in a single day, and had their leaders tortured to reveal where the Templar treasure was hidden. When they refused, he had their leaders burned alive at the stake. The king never found the Templar treasure, and the Nazis were still looking for it in the 1940s when they occupied France.

Such wicked behavior by ruthless rulers and cunning bankers, is why America’s Founding Fathers tried to do things differently.

From the moment the United States became independent of Britain, it was liberated from British currency and taxation. Money was to be backed by gold and silver and kept under the control of the central government, on behalf of all citizens.

But the Federalist clique of Alexander Hamilton, which had strong financial and emotional ties to Old Europe, began lobbying to put U.S. currency in private hands. US Presidents Jefferson, Madison, Adams and others fought this, and two early attempts to set up a pseudo “United States Bank” that was actually in private hands were reversed. In 1816, President Jefferson warned that, “Private banking establishments are more dangerous than

standing armies; and the principle of spending money to be paid by posterity, under the name of funding, is but swindling posterity.”⁹

During the Civil War, however, the Federal government went so deep in debt that the number of profiteering millionaires in America mushroomed. J.P. Morgan, for instance, sold 5,000 defective weapons to the Union Army, which he purchased for \$3.50 each and sold for \$22 each.¹⁰ Railways, steel, oil, and other monopolies grew into what was called The Octopus, controlled by the Rockefellers, Harrimans, Mellons, and others, who also founded their own banks. They learned how to do this with guidance from Morgan and Paul Warburg, who were agents in America of Europe’s enormously rich and powerful Rothschild family.¹¹ Morgan made another fortune in 1895, selling US gold bonds in Europe, through his alliance with the House of Rothschild.¹² By 1902, Morgan interests controlled 5,000 miles of railway track in the US. How he ruined thousands of farmers and rivals, is related in the contemporary Frank Norris novel, The Octopus.

Andrew Mellon, while Secretary of the Treasury in the 1920s, took advantage of federal tax loopholes and refunded \$3.5-billion to rich cronies. When Treasury Secretary Morgenthau later tried to bring tax evasion charges against Mellon, the grand jury refused to indict him.¹³

After a very secret meeting at Morgan’s Jekyll Island estate in 1910, the Robber Barons followed Warburg’s gameplan to take control of all US currency and gold. As Warburg said at that secret meeting, it was essential not to let American citizens know the Federal Reserve was a cartel of private banks, but to persuade them that it was a government agency.¹⁴ In other words, there was nothing “federal” about it, and all control of currency and gold was “reserved” to the private bankers who owned its stock. The majority of that stock was held by banks now called Morgan-Chase and Citibank.

This grand larceny began with the carefully contrived election of the bankers’ presidential candidate, Woodrow Wilson, whose administration was “marked by the acquisition and exercise of ‘dictatorial powers’.”¹⁵ In short, Wilson was put into the White House by a consortium of bankers and Robber Barons, including Warburgs, Rockefellers, Morgans, Schiffs, Kahns, Harrimans, and Europe’s Rothschilds, who wanted private control of America’s money supply. By that point the bankers practically owned a majority of the U.S. Congress. These carefully-coached lawmakers

drafted the Federal Reserve Act of 1913, pretended to argue for and against it, then when many of its serious opponents left town for the Christmas holidays, President Wilson hastily signed it into law the day before Christmas Eve, while public attention was elsewhere.¹⁶

The private banking powers of the Federal Reserve were further increased during World War I, in 1917, when President Wilson pushed through the Trading With The Enemy Act, which gave the president the right to “regulate ... [the] export [and] ... earmarkings of gold or bullion.”¹⁷ Simply put, this meant whenever there was any sort of emergency all the government’s gold could be moved around secretly, and earmarked or designated for whatever purpose Wilson wanted, without any kind of public oversight. Since Wilson had been put in the White House by the big bankers who owned all the stock in the Federal Reserve, this meant they – the private bankers – could thereafter make the gold vanish, and nobody would be the wiser.

So much government gold vanished during the Hoover Administration that when Wall Street crashed in 1929, the vaults were nearly empty.

In 1933, President Franklin Roosevelt used Wilson’s legal precedent to declare another state of national emergency (this time the collapse of the U.S. economy in the Great Depression). Roosevelt urgently needed gold to underwrite social programs for millions of jobless people. Later – in the event of war with either Germany or Japan, or both – he would need a great deal more gold to finance expansion of the U.S. military and its armaments. In those days, money spent on social programs and armaments still had to be backed by gold. The quick way to increase gold reserves was to force citizens to turn over their private gold holdings, and to force all gold mining operations to sell only to the U.S. government. In return they got paper money.

The government’s newly-acquired public gold would be held by the private Federal Reserve (the Fed). Because the Fed is a private banking cartel, whose books are not open to the public, it is impossible to know precisely how much gold was acquired in the 1930s. The Fed is famous for being Delphic, which means it lies by evasion. This is the reason for the public’s great ignorance about how much gold there is, to whom it belongs, where it is really kept, and how it got there. Bankers, economists, judges and attorneys pretend to know exact details, but it is easy to demonstrate that they twist the facts to suit themselves.

Secretary of the Treasury Henry Morgenthau continually found himself in conflict with the Federal Reserve and the State Department. As he put it, "There is one more issue to be settled ... whether the Government through the Treasury should control ... monetary policy or whether the control should be exercised through the Federal Reserve banks, which are privately owned." He complained that J.P. Morgan had more power than the State Department, and added: "You can rape me if you want to, but I won't like it." The Federal Reserve was even issuing gold bearer bonds and certificates with Morgenthau's signature, without Morgenthau's knowledge.¹⁸

FDR's Executive Order 6102 made it illegal for private American citizens living in the United States to hold gold coin, gold bullion, or gold certificates.¹⁹ Interestingly, this applied only to American citizens in the continental United States. The Philippines and other U.S. possessions such as Hawaii, Guam, and Samoa, were excluded. U.S. citizens resident in those places could continue to hold gold, other precious metals, and gold certificates.

All citizens in the continental U.S. had to turn in their gold ingots and gold certificates in return for Federal Reserve paper dollars at an official price of \$20 an ounce. To make it look fair, private banks in America also were obliged to turn over their gold reserves and certificates. This looked like they were giving it to the government, because few people knew the Fed was private. American mining companies (and foreign mining companies, foreign governments and foreign citizens) were all given a special break and could sell their gold to the Fed for \$35 an ounce.

Because of legal challenges in the courts, it took a few months for Roosevelt's executive order to become law. But by 1934 the Fed became the legal custodian of all of America's gold, and of much foreign gold as well. Gold poured into Fort Knox, and other Fed vaults in New York City; West Point, New York; and former U.S. government mints in San Francisco, Philadelphia, and Denver.²⁰

A huge influx of European gold, to repay U.S. loans to foreign governments during and after World War I, soon made America the world's biggest repository of "official" monetary gold. This flow of gold from overseas was further stimulated by gathering war clouds in Europe, by Japan's annexation of Korea and Manchuria, and incursions into North China. As Hitler became more aggressive, even the British crown jewels were moved to the Fed's vaults in New York City.²¹

The notion that all this gold somehow belongs to the American people is a carefully cultivated myth. Most people think Ft. Knox is a government vault, but while it is built on government land it is managed by the Fed. Since the creation of the Federal Reserve System all the gold vaults of the Fed have been guarded by America's largest domestic private security organizations like Diebold, Inc., an Ohio-based security firm established in 1859.²² In each vault the gold is kept in numbered chambers, and its actual ownership is known to only a handful of Fed officials. The largest of these rectangular lockers are 10 feet by 10 feet by 18 feet, so each locker is big enough to hold \$17.1 billion-worth of bullion, given a market price of \$400 per ounce.²³

Not everyone was convinced that the United States was the safest place for their gold, least of all Asians who had an ancient distrust of governments and banks. FDR and his advisers understood that in South Asia, East Asia, and the Pacific, a lot of gold was held by Overseas Chinese individuals, family-associations, and trading networks; by local warlords and criminal syndicates; by wealthy Indians; by Buddhist sects; by Dutch, French, Portuguese and Spanish colonial families, and by the Catholic Church, which had dominated the Philippines for four centuries. Large quantities of gold had been moved out of Europe for safekeeping during WW1, and during the Spanish Civil War, and was sleeping in vaults in the Philippines.

Wealthy Chinese families, victimized by dynasties and warlords for thousands of years, held their precious metal in secret places, or in banks they owned or controlled in Manila, Hanoi, Bangkok, or Singapore. They expected Japan's conquest to spread south to the islands. Through Jose Laurel, Judge Chua and other Chinese clan elders knew that Roosevelt's Secretary of the Treasury Henry S. Morgenthau, was offering to buy gold from rich individuals and syndicates in Asia and the Pacific, in exchange for Federal Reserve bonds or notes.

In 1934, Laurel's circle pooled their resources and offered to sell Morgenthau 1,665 metric tons of gold.²⁴ In return, they would be given 250 separate Federal Reserve bearer bonds, each in a \$100-million denomination. So at the time of issue in 1934 this transaction had a total face value of \$25-billion. But, on maturity after thirty-two years – meaning after 1966 – the 250 bonds could be redeemed for a total of \$100-billion. Instead of an outright purchase, the gold was being acquired by the Federal Reserve Bank in Chicago, as a loan, paying slightly over \$10 an ounce (half

the existing private gold price) in return for interest over thirty-two years that would result in a total of \$100-billion at maturity.

This is supported by documents that accompanied the original transaction, reproduced on our CDs. One document, a Federal Reserve Bond Global Immunity, signed by Morgenthau, said the purchase was arranged this way “to enable the government of the United States of America to determine the contract in a manner appearing as a loan, which shall be known as Federal Reserve Bond issued by the Bank of Chicago series of 1934.” Each bond had coupons attached so the bearer could collect the interest annually, or let it accumulate until maturity. Essentially, the Fed was borrowing the gold for \$10 an ounce rather than buying it outright for \$20 an ounce.

When the deal was concluded, the 1,665 metric tons of gold was transported by ship from Manila to San Francisco, then carried by train to the Federal Reserve Bank in Chicago, where the ingots were placed in its vault. The 250 Fed bonds, meanwhile, plus supporting official documents, were received in exchange by Laurel. He shared them out among his partners, who put them in the safest places they could find: some in Swiss bank vaults, others in Argentina or Chile.

When the Japanese invaded, Laurel, fluent in Japanese, was ordered by President Quezon – on instructions from Washington – to offer himself to the Japanese as their puppet president during the occupation. Quezon then fled to the US. (After the war, Washington hypocritically denounced Laurel as a quisling, to rig the 1949 presidential election in favor of General MacArthur’s crony Jose Quirino; MacArthur said he wanted Quirino elected “or else” all US aid and loans would be cancelled.)²⁵

During the Japanese occupation, Laurel’s son Pedro Palafox Laurel, a close friend of Santa Romana from before the war, secretly became part of Santy’s Vatican underground. In 1945, when Santy and Lansdale tortured and bribed Major Kojima, Pedro Palafox Laurel participated in the gold recoveries.

Because of the key role played by Santy, as the gold was recovered and moved to banks throughout the world, a major portion went to the Vatican Bank and other banks tied to the Vatican, as we describe in Chapters 4 and 8. It is now clear that this is why Santy was treated with such respect by bankers who came to see him at his Manila Hilton suite, although he remained a secretive figure and was never the subject of a magazine profile in the Philippines or anywhere else. It was not his connection to the CIA that gave him invisibility, but his position as an agent of the

Vatican secret services, filling the coffers of the Vatican Bank. Diagrams of the "Umbrella" organization that moved much of the gold, which we reproduce on our CDs of documentation, show that security was provided both by the CIA and by the Italian Mafia.²⁶ Collaboration in Europe between the Mafia and the OSS began on the eve of the war, and continued throughout.²⁷ OSS agents were smuggled into Italy through Sicily. In return, at the end of the war, top Mafia figures were let out of American prisons and allowed to return to Italy, where they helped the CIA and the Vatican promote candidates of the Christian Democrats, to prevent the Communist Party from gaining control of Italy's government.

Santy's stature in the Vatican financial hierarchy must have been assured by his role in restoring solvency to banks linked to the Vatican. This resolves the puzzle of why his visit to Washington and his tour of the CIA complex in 1973 was his first acquaintance with the Agency headquarters and many of its covert operations, noted in his diary each evening. Had Santy been an agent of the CIA all along, he would have received training at the Farm in Virginia like other agents, and known all about the headquarters in Langley and its mythology. But as a lay member of the Vatican secret services, his orientation was to Europe, not the U.S.

It was the rise of Ferdinand Marcos (saved from prison by Jose Laurel) that undercut Santy, took the Umbrella organization out of his hands, broke up his personal network, and turned Santy into an alcoholic.²⁸ A photograph of Santy taken during this period shows him slouching in an armchair, with a paunch, and a full head of hair – not the tough, sleek, head-shaved Yul Brynner of the immediate postwar years.

After President Magsaysay's death in a plane crash, and his replacement by a conspicuously corrupt President Macapagal, Marcos came to be seen by Washington as "our boy". America was bogged down in Vietnam and anxious for the commitment of more Filipino troops. Marcos was already senate president, made all the right pro-American noises, and his campaign for the presidency was financed by the CIA, the Overseas Chinese, and lavish contributions from Chiang Kai-shek's Nationalist regime in Taiwan. He won a landslide victory and entered Malacanang Palace on December 30, 1965.²⁹

Even in the Philippines where life is cheap, Marcos was uniquely predatory and murderous. Once in the palace, he began hijacking all the private wealth he could get his hands on.

Jose Laurel had died in 1959, and the Laurel clan was now headed by one of his sons, Pedro Palafox Laurel, Santy's pal and business partner, and fellow Vatican agent. Unfortunately for the Laurels, when their Federal Reserve bonds reached maturity in 1966, the election of Marcos as president made it too dangerous to bring the bonds out of hiding, and present them to the U.S. Treasury and the Federal Reserve for redemption. Marcos would learn about it immediately, and stop at nothing to confiscate the bonds and sell them to Washington for his own profit.

Marcos had long known about Santy's gold recoveries with Lansdale, and knew that Santy had hundreds of accounts in banks all over the world – many as a straw-man for the Vatican, the CIA, or the Black Eagle Trust. But Marcos also knew that Santy had personal accounts at Citibank and other banks in Manila and Hong Kong, where he salted gold for his own use. (As there is no evidence of extravagance in his personal life, Santy seems to have diverted gold into many offshore private accounts because that is what everyone else was doing. It is astonishing that the CIA and other US Government agencies and individuals have claimed that those accounts contained money or gold that was somehow the property of the United States, rather than the property of the people from whom it was stolen, or of Santy's heirs, or of the Vatican that employed him, or of the Filipino people from whom some of it was stolen, or in whose national soil it remained for years or decades, and need it a great deal more than bankers.)

Once Marcos became president, he went after Santy, forced him to sign over powers of attorney, and used extortion to deprive him of several large gold accounts, including all those at Manila banks that were vulnerable to pressure from Malacanang. All of Santy's efforts to defend himself were failing, and in September 1974, driven into a deep alcoholic depression, he collapsed, was hospitalised, and several weeks later died at home with members of his family in Cabanatuan City. Marcos quickly looted Santy's few remaining accounts in the Philippines, and went after others in New York, Hong Kong, and European capitals.

In 1983, when Marcos heard rumors that the Laurel family had a hoard of Federal Reserve bonds and gold bearer certificates on deposit at UBS, he had Pedro Palafox Laurel and his business partner Domingo Clemente arrested and brought to the Black Room at the palace. There, over a period of weeks, the two men were slowly tortured to death by General Ver.³⁰ Clemente knew nothing about the bonds, and Laurel refused to reveal their locations.

Pedro's widow, Loretta, subsequently fled to Spain to live.

From then on, the Laurels lived in fear. It was only in 1986, when Ferdinand Marcos was removed from power by the Reagan Administration, and put under house arrest in Hawaii, where he later died, that Laurel's heirs and surviving members of his circle dared begin to recover the bonds from their hiding places.

Unfortunately, at this very moment, another large stash of FRNs and FRBs began coming onto the market, recovered from U.S. military planes that had crashed long ago in the jungles of Mindanao.

According to reliable sources who visited the wrecked aircraft and recovered the dogtags of the crew, the truth is as follows: In May 1948, four US Air Force planes on their way from California to Malaysian Borneo, refuelled at Clark just north of Manila, then continued on their way toward Borneo. A typhoon that had been brewing in the western Pacific moved directly into their flight path, and all four planes crashed into the mountains of Mindanao. In the doomed flight were two B-29 Superfortresses of the type that had dropped atomic bombs on Hiroshima and Nagasaki, plus a new modified version of the same plane called a B-50, and a much smaller twin-engined B-26. The lead B-29 had the serial number 7695132. Among the dead aboard were General Frank Reagan, Colonel John Reagan, and crewmen named Colling, Dalton, Johnrey, and Withor. The two B-29s were carrying thousands of Federal Reserve notes and bonds, in boxes from Chase Manhattan and Wells Fargo banks. The B-29s were wearing the livery of General Clair Chennault's Civil Air Transport (CAT), partly owned by the CIA through a front in Delaware named Airdale Corporation.³¹ In 1948, the CIA was using CAT to fly four million tons of supplies each month to Generalissimo Chiang Kai-shek's forces, which were rapidly losing all of China to the communists. These two CAT B-29s loaded with billions of dollars worth of FRNs and FRBs, were on their way to Malaysia on a roundabout route to southwestern China by way of Thailand and Burma.

The B-50, which had recently been built by Boeing to carry nuclear weapons for the Strategic Air Command (SAC), had a cargo of 117 canisters of uranium. At this time Washington was seriously considering dropping "dirty bombs" on Red China and North Korea. The B-26 was escorting the B-50 to a secret airbase in Thailand, which was being prepared by SAC in the event of such a nuclear war.

What concerns us here is the mission of the two B-29s with all the Fed notes and bonds. Professor Richard Aldrich of

Nottingham University, co-editor of the journal Intelligence and National Security, described the strategic situation in 1948 in testimony before a British court in 2003:

As Chairman Mao's forces advanced through China in 1948, Dr. Aldrich said, Britain and the US dreaded the prospect that one of the world's largest stocks of gold – worth \$83-billion at current prices – would fall into communist hands. So it was decided to extract the gold reserves from China before the communists could seize them. The CIA provided the means for this bullion-rescue mission, flying in B-29 bombers disguised in the livery of its CAT, later renamed Air America. CAT flew numerous missions to bring huge shipments of gold out of Mainland China.

Where did the FRNs and FRBs fit in? Professor Aldrich said they may have been used “for persuading managers of major banks in the interior of China to part with their vast stocks of gold.” Printing FRNs and FRBs with a face value much greater than that of the gold they were to replace, he said, served to encourage the banks or wealthy individuals to swap their gold for the bonds and notes, which would be easier to hide and later smuggle out of China to be cashed in the West. As Aldrich said, the US almost certainly had no intention of honouring them, anyway.

Professor Aldrich explained that the CIA was only emulating Britain's Special Operations Executive (SOE), which printed and circulated massive quantities of counterfeit currency and bonds during the war.

“Foreign Office files also show that the CIA was involved in other currency issues, including the movement of printing plates for Chinese currency,” Aldrich testified.

But why were such huge quantities of FRNs and FRBs flown out to China?

“Because of the possibility of operational loss,” Aldrich told the court, “surplus amounts of FRNs were required. Regional banks [in China] receiving FRNs in return for their gold were aware that the FRNs were likely to be redeemable for only a proportion of their face value. Therefore a much larger value in FRNs would have been required than the total value of the gold that the Americans and Chinese Nationalists were trying to extract from China.”³²

Aldrich was adamant that the FRNs being flown to China were authentic. However, he was uncertain whether the FRNs involved in the 2003 lawsuit were of the same provenance.

“I cannot prove that these FRNs were part of the operation to extract gold from China,” Aldrich said. “But there is absolutely no doubt that such an operation took place.”³³

We interviewed pilot Eric Shilling, one of the original Flying Tigers in the American Volunteer Group (AVG) in 1941, who went on to fly for CAT and the CIA after the war. Shilling told us he made numerous flights from Guam and Clark, ferrying FRNs and Nationalist secret agents as far into China as Chengtu in Sinkiang Province, and flying boxes of gold out to Taiwan. The B-29 had a range suited to long round-trips, and Shilling was skilled at flying the aircraft at 30 or 40 feet above the ocean to enter and leave Chinese airspace without being picked up by radar. He told us Generalissimo and Mme. Chiang Kai-shek were fully informed of the flights, and on his return to Taipei once, Shilling was invited to the presidential palace where Mme. Chiang praised him, and told him: “I did not go to bed until I knew that you had landed safely.”³⁴

Whether the FRNs and FRBs found in the crashed CAT aircraft in Mindanao should be considered real or counterfeit raises interesting legal, moral, and ethical questions, as they were printed by the US Government at the Bureau of Engraving and Printing in Washington, where the CIA has an office occupied full-time in such activities, according to a CIA source we interviewed who worked there for years.

If a promissory note is created by the US Government and exchanged for gold by the US Government, it can reasonably be argued that it is a legitimate document, and therefore binding upon the government to redeem it. For, if a government can freely create false financial documents at whim, for whatever purpose, how do you know what to trust and what not to trust. The same question might be raised about US currency printed by a Federal Reserve that exists for private profit. For the government and the banks owning stock in the Fed to renege on redeeming such bonds would be the equivalent of grand larceny.

In the late 1980s, just after Marcos died, the wreckage in Mindanao was discovered by a tribe of aboriginals, who found the B-29s full of incomprehensible Fed notes and bonds. Most of the boxes were still sealed with wax and official stamps, but some had broken open on impact. When these were carried out to a district town, and translated into Tagalog, it was understood that the Fed notes were important, and in astronomical denominations.

Quantities of these Fed notes suddenly appeared in the market as everyone and his brother tried to cash them in. The Fed was not buying, and neither was the U.S. Treasury, which

automatically denounced them all as counterfeit. Secret Service agents were sent to Manila to pose as buyers so they could entrap brokers trying to sell the bonds. Assassins also were sent. An Australian private investigator was warned, "If I persisted in pursuing these items, I would most likely receive a visit from some very unpleasant men whose job it is to secure the safety of the USA against any threats to the stability of its economy. I was informed that if I ever tried to redeem them, I would not see another birthday. A CIA friend told me that these FRNs were all over the world, not only in the Philippines. He said Chiang Kai-shek's family owned large quantities. Some Chinese families involved with secret societies such as the Cherry Blossom and the Maple Leaf also had them in certain number sequences that had been assigned to those networks. Ferdinand Marcos had large quantities of FRNs that he was given by President Nixon in return for gold – which were referred to as 'Tricky-Dickie Notes'."³⁵

Unfortunately for the Laurels, this was the same period when President Reagan talked of putting the U.S. back on the gold standard. President Nixon had taken the dollar off the gold standard in 1970 and made it legal for the first time in nearly 40 years for private American citizens to own gold. As a result the official price shot up – going above \$800 an ounce during the early Reagan years. If at that moment the Laurels had demanded payment in full for the 1,665 metric tons of gold they had "loaned" to the Federal Reserve in 1934, that amount of gold would have been worth over \$35-trillion. However, the Laurels were bound by the terms of their original agreement, which had a face value on maturity of only \$100-billion. But even \$100-billion was more than Washington could face paying. In fact, Washington had never really intended to redeem any of the 1934 Morganthau issue bonds, except at very deep discounts of 1% to 10%, and then only to "favored" individuals.

If the dollar was going to be put back on the gold standard, the White House had to block any attempts to redeem gold certificates and Fed bonds. No new administration likes to be held accountable for huge debts incurred by previous administrations. Redeeming those bonds would represent a huge drain on U.S. assets. So Reagan's team had to come up with a strategy to block any attempt by owners or bearers to redeem the bonds.

Curiously, it was also in 1986 that the Federal Reserve decided to recast all the gold-bars in its vaults, changing "good delivery" bars from traditional rectangular ingots into trapezoidal-shape. Why this was done was never satisfactorily explained, but it

allowed the Fed to change the hallmarks, serial numbers, and all other identification, which included re-papering and earmarking, effectively erasing all record of ownership of many thousands of tons of gold in its different vaults.³⁶

For a government that was up to its ears in the Iran-Contra swindle, Death Squads, October Surprise, Swiss numbered accounts, and lying to Congressional committees, the answer was obvious: Declare all the Fed notes and bonds floating around Asia counterfeit, including both the Laurel bonds and the bonds found on the crashed planes.

Here was a fraud that had been used many times by banks all over the world. When a gold certificate was issued in exchange for bullion placed on deposit, embedded codes were used including misspelled words, to “assure” that the owner’s certificate matched the bank records exactly. These misspellings were later easily cited as “evidence” of fraud.

In Japan, Prime Minister Tanaka had gone one step further in designing his notorious “57s” to look completely different from normal Japanese government bonds. If he wanted to redeem one for an ally, he could. If he didn’t, he could declare it a counterfeit, and point out that it didn’t even look like a government bond.

The Reagan administration’s answer was similar. A large number of Fed bonds and gold certificates were printed at the Bureau of Engraving and Printing, on the wrong type of paper, with a comic variety of deliberate errors. Many were engraved with the wrong faces, the wrong mottos, the wrong designs, the wrong signatures. Some were even engraved and printed in traditional Chinese characters. This would be a hilarious disinformation campaign, flooding Asia with blatant forgeries, to make the whole idea ridiculous. It would cut the legal legs off anyone trying to redeem legitimate gold certificates or legitimate Fed bonds. They could be laughed out of court.

Special engraving plates were sent to Manila where the CIA already had presses to run them off. To confuse the issue in Mindanao, where the planes had crashed, two “missionaries” set themselves up with high tech presses saying they were going to print Bibles, but instead ran off conspicuously bogus Fed notes and bonds, which added to the impression that they were all false.



It is crucial not to confuse the bogus Fed notes flooding Asia and the Pacific in the 1990s with the Fed notes issued to the Laurel family in 1934 by Treasury Secretary Morgenthau and the Federal Reserve. These, which we have examined very closely,

and which have been judged authentic by scientists at one of Spain's leading universities, and groups of experts elsewhere, are printed correctly in every detail on precisely the paper used for the Morgenthau issue in 1934, with the same colored threads running through the fabric visible under a microscope. (The entire notarized forensic investigation of the Laurel family bonds, in both English and Spanish, appears on volume three of our CDs of documentation.) In sum, these Fed notes were not created for a covert CIA operation in China, but are authentic in every respect.

Because they are authentic, the Fed and the U.S. Treasury are ethically bound to redeem them. However, there are mitigating factors. Banks, prosecuting attorneys, and trusted judges always discover mitigating factors. For one thing, ideally these bonds should have been redeemed in the decade following their maturity in 1966. But that would have been suicidal, because Marcos was murdering people to get his hands on them, and Marcos was "America's Boy". One of those murdered was Pedro Palafox Laurel, Loretta's husband. So she was terrified, and therefore late in seeking to redeem them.

As Loretta Laurel's inheritance represented the largest part of the bonds, the Laurel circle decided to have a prominent Spanish attorney approach the U.S. Treasury, the FDIC (Federal Deposit Insurance Corporation), and the Federal Reserve Bank of Chicago. They chose Santiago Vila Marques, member of a wealthy Catalan family owning thousands of acres along the Costa Brava, north of Barcelona. Vila Marques, who had family ties to the Philippines going back generations, agreed on one condition: Half of whatever was recovered must go to projects to help raise living standards of the poor in the Philippines.

Vila Marques enlisted Chicago attorney Carey Portman, and Texas attorney Laurence J. Friedman (a friend of George W. Bush), to represent Loretta Laurel if the case came to trial in the U.S. They repeatedly contacted the Board of Governors of the Fed, the FDIC and the Treasury Department during 2000-2001 presenting them with authenticated copies of one of the bonds, plus all related documents in the 1934 transaction.

Eventually they received a response, different from Japan's response to Norbert Schlei and his clients trying to get Tokyo to redeem the "57" IOUs. Interestingly, the Fed, FDIC and Treasury stopped short of denouncing the Laurel bonds as counterfeit and fraudulent. Instead, they said they "could not verify" that they were real. This is a crucial distinction.

“After carefully reviewing the documents that you and your client have submitted, we are unable to verify that the Federal Reserve bond and related documents ... are authentic. In addition, as I indicated to Mr. Portman by telephone, Chairman Greenspan is not available to meet or speak with you or your client concerning this matter.”³⁷ The Chicago Federal Reserve Bank also claimed to be “unable to verify” their authenticity. An affidavit from Mark Taylor, manager of accounting at the Chicago Fed, stated, “There was no record of the issuance or the existence of these bonds whatsoever.” William G. Curtin, a financial specialist at the U.S. Treasury, stated: “the Treasury Department has no record that it issued any of the documents in question, and that the Treasury has never issued any Federal Reserve bearer bonds of any kind.”³⁸

Why were both the Fed and the Treasury claiming they had no record of such a transaction? Why did they not claim that the documents were forgeries, or counterfeit, and bring criminal charges against Laurel and her attorneys? Why were they merely “unable to verify” anything?

They were stonewalling. They did not say records of their issuance did not exist, only that they “could not be found”. They’d gone missing. They stopped short of saying the documents were fake, just that they were “unable to verify” if they were real. This was doubletalk, like the trial of Norbert Schlei, where U.S. officials insisted they could find “no record” of America ever bribing Japanese politicians, and “no record” of Yamashita’s Gold.

By not claiming the documents were forgeries, Treasury and the Fed avoided having to bring criminal charges, which would enable Laurel’s attorneys to pursue “discovery” – eventually finding the evidence the Fed and Treasury were hiding.

The statement of William G. Curtin at Treasury quoted above is sheer buncombe. Of course Treasury never issued Fed bearer bonds – they were only issued by the Fed, a private banking cartel, not a government agency.

Of course the Fed could insist that no records could be found, because the Fed’s ledgers have never been open to public scrutiny – so how could anyone challenge such a statement?

In September 2001, the Laurel case came to trial at the U.S. District Court for the Northern District of Chicago, before Judge Harry D. Leinenweber.³⁹

The judge was an interesting man, married to an interesting woman. A graduate of the University of Chicago law school, he established a practice in the famous Mafia stronghold of Joliet,

Illinois, where he represented US government agencies, and became a GOP state politician serving in the Illinois House of Representatives. In 1986, President Ronald Reagan rewarded Leinenweber for loyal service to the GOP by appointing him to the federal bench. When Reagan was succeeded by President George H.W. Bush, Leinenweber's wife, Lynn Martin, a U.S. Congresswoman, was given a Cabinet post as U.S. Secretary of Labor. Because she used her maiden name, most people did not immediately connect her to the judge she was married to.

While his wife was Secretary of Labor, Judge Leinenweber presided over many lawsuits involving labor discrimination. Many people who knew they were married felt he should have disqualified himself because of his wife's Cabinet position as Labor Secretary. When confronted by journalists, Lynn Martin claimed that she never discussed court cases with her husband.

When the new Clinton administration took office, Lynn Martin lost her Cabinet post but became a richly paid consultant to the Mitsubishi Corporation, specifically to defend Mitsubishi in a lawsuit charging sex discrimination at a factory in Normal, Illinois, not far from her husband's court. Journalists reported that for this Lynn Martin was paid \$2-million by Mitsubishi, to oversee a case in a state where her husband was a federal judge specializing in labor discrimination cases, raising serious questions about conflict of interest. Despite Martin's intervention, Mitsubishi lost the case and paid a record settlement.

Subsequently, Judge Leinenweber became involved in hearing cases about a network of CIA-owned savings and loan companies, used to launder dirty money, then looted and allowed to go bankrupt. One was Libertyville Savings and Loan. On its board was Charles Hunter, who was also chief financial officer of the nationwide Walgreen drugstore chain. Hunter and others were accused of mismanaging and causing the downfall of the CIA-owned S&L, resulting in damages of more than \$42-million. At Libertyville Savings and Loan, between \$20-million and \$42-million was lost by account holders (depending on who tallies the figures) while several wealthy directors including Hunter were allowed to settle a lawsuit quietly for only \$6-million. Investigative journalists alleged in public that Judge Leinenweber received a gift of some \$17-million to rule in favor of Hunter. The judge did not sue the journalists for slander or libel.⁴⁰

Therefore, Federal Judge Leinenweber hardly seemed to be a disinterested party in the lawsuit between the Laurels and the Chicago Federal Reserve Bank, a claim of \$100-billion by a

foreigner against a local institution that was the taproot of Chicago's financial structure. A loss of \$100-billion would be like cutting that taproot.

Predictably, Judge Leinenweber showed a bias against Mrs. Laurel and in favor of the Chicago Fed. When it became evident to Laurel's attorneys that the case was rigged, and they were being blocked in the same manner as Norbert Schlei, they sought to present additional evidence that would overcome the stonewalling of the Fed and Treasury. Neither the Fed nor Treasury wanted additional evidence presented, so they filed a motion saying this new information was inadmissible, because it should have been presented earlier. Judge Leinenweber immediately ruled in favor of the Fed and Treasury. No surprise.

Stymied, Laurel's attorneys filed a "notice of voluntary dismissal" telling the court they wished to drop the case. The same day, attorneys for the Chicago Fed also made a motion to dismiss. Because of the court's slovenly record keeping, it was unclear which side made the move first.

Attorney Portman immediately filed an appeal to the U.S. Court of Appeals for the 7th Circuit. This was a three-judge panel headed by Judge Richard Posner, who soon made it clear that he knew little of the financial history of his country, had no idea what the true relationship was between the federal government and the Federal Reserve, did not have the vaguest idea what the Treasury and the Fed had done covertly in the 1930s, and thought he was being exceedingly witty by calling the entire lawsuit "nonsense".⁴¹ Judge Posner is said to be closely associated with the Federalist Society, established in 1982 by a clique of extreme rightwing Christian-Zionist grand inquisitors including Robert Bork, William Rehnquist, Edwin Meese, William Kristol, and John Ashcroft. The organization was underwritten by the Mellon family, which had been involved in setting up the Fed in 1913.

Judge for yourself: In July 2002, Posner gave his opinion of the Laurel case as follows: "The suit is preposterous. There is no record of any such bond issue, and as the national debt of the United States was only \$28-billion in 1934, as a year later the entire stock of gold owned by the United States had a value of only \$9-billion, and as no securities issue by a U.S. Government entity exceeded \$100-million before 1940, the claim that in 1934 a Federal Reserve bank issued bonds that virtually doubled the national debt and added \$25-billion in gold to the government's holdings can only cause one to laugh." Whoever gave Judge Posner this disinformation, the laugh is on him.

Economist Dr. Martin A. Larson, an expert in this field, gave totally different facts: “Between 1934 and 1941,” Larson stated, “18,000 metric tons of gold were purchased by the Federal Reserve system and placed in the vaults of Ft. Knox. It was owned by the Federal Reserve, and the government was simply the custodian thereof, and American taxpayers paid the storage fee.”⁴²

Judge Posner claimed to be stating self-evident facts, but he did not know the facts. If 18,000 metric tons of gold were purchased by the Fed during the 1930s, the amount purchased from the Laurels (1,665 metric tons) was a mere drop in the bucket.

For Posner to say such a gold purchase would have “virtually doubled the national debt” is nonsensical because what the Fed’s private banking cartel bought had nothing to do with the national debt.

Had Judge Posner done due diligence, he would have known that in 1952, Congressman Wright Patman of the House Banking and Currency Committee said: “These funds are expended by the Federal Reserve system without an adequate accounting to the Congress. In fact, there has never been an independent audit of either the twelve [Fed] banks or the Federal Reserve Board that has been filed with the Congress, where a member of Congress would have an opportunity to inspect it. The General Accounting Office does not have jurisdiction over the Federal Reserve. For forty years the system, while freely using the money of the government, has not made a proper accounting.”⁴³

As a Court of Appeals judge, Posner should have known that in 1982, the 9th District U.S. Court of Appeals said: “Federal Reserve Banks are not federal instrumentalities ... but are independent, privately owned, and locally controlled corporations, in light of the fact that direct supervision and control of each bank is exercised by a board of directors, Federal Reserve Banks, though heavily regulated, are locally controlled by their member banks, banks are listed neither as ‘wholly owned’ government corporations nor as ‘mixed ownership’ corporations; Federal Reserve Banks receive no appropriated funds from Congress, and the banks are empowered to sue and be sued in their own names.”⁴⁴

On the other hand, Posner showed true insight when he went on to say: “The [Chicago Fed] bank’s lawyer told us without being contradicted that the Department of Justice has declined to prosecute the persons involved in the fraud because no one could possibly be deceived by such obvious nonsense. We are puzzled

by this suggestion.” Having been led to believe by the Fed, by the Treasury Department, and others, that the whole Laurel case was a scam, Posner couldn’t figure out why the Justice Department didn’t burn them all at the stake, or even arrest them. In this, Posner had rightly been “puzzled” – tripping over the truth hidden by a swamp of disinformation and character assassination.

The Department of Justice refused to prosecute because it knew the bonds were genuine, and so could not prove that they were false. The Department of Justice also knew now that Vila Marques had a thick stack of additional evidence and forensic analysis to prove the validity of the bonds, which Justice had not been aware of during the first trial before Judge Leinenweber. To prosecute now would permit Vila Marques to present the additional evidence and also would enable “discovery”, allowing Vila Marques and his American colleagues to delve into the archives. So the Department had deceived Judge Posner into thinking the Laurel case was “obvious nonsense”, only to pull the rug from under the judge by refusing to prosecute. Posner was left with no choice but to dismiss the Laurel suit “without prejudice” – leaving undecided whether the bonds were real or not.

Where the case went from there depended on whether Vila Marques and his allies felt they had strong enough evidence (and deep enough pockets) to force the issue in favor of their clients. For strategic reasons, he had held back important information proving beyond question the authenticity of the bonds, so unless the Treasury and the Fed were able to steal the bonds from where they were hidden, or to damage his reputation by further character assassination, they might have to negotiate a settlement. The US Treasury and the Fed were known to have secretly paid off several earlier cases involving legitimate bonds. This was done secretly to avoid establishing a legal precedent.⁴⁵

The Laurel group had adequate money to fight the case in court for years – but that depended on where it was tried, in the US where judges could be manipulated by Washington, or in continental Europe where they could not. Did Washington and the Bush Administration have the stomach to be humiliated yet again?

To avoid this, the Secret Service could try to snatch the bonds from where they were stashed, and could try to use character assassination to damage the reputation of the Spanish attorney. Given the cowed media in America, and compliant journalists in the UK of Tony Blair and the Spain of Jose Aznar, lies could be spread and repeated so often that the public would begin to believe them. This was how one forensic expert, UK’s

Charles Halksworth, was railroaded in British courts and media, and put in prison for six years. One of the zany allegations endlessly repeated in the UK media was that Halksworth had verified Fed notes printed on an inkjet printer. In fact, government agents had scanned the documents and printed them on an inkjet printer themselves, then substituted these for the originals to make Halksworth look like a fool. The accusation that such a well known forensic expert, who previously had helped Scotland Yard develop finger-printing technology, would verify paper printed on an inkjet was so laughable, no self-respecting journalist should have given it credibility, but in the UK of Tony Blair the silly allegation was given heavy play in media throughout the country. This was the sort of abuse of power that Vila Marques was facing. But he was rescued by the Madrid bombing in March 2004.

In the months following the dismissal of the Laurel case in Chicago, the US Secret Service, which has authority to operate overseas in cases of currency counterfeiting and fraudulent financial instruments, informed a branch of Spain's intelligence service that there had been no legitimate legal proceedings about the Laurel bonds brought by Vila Marques in the United States. This was a lie that could easily have been verified by going on-line to court records on the Internet. However, at the time, Spain's government was headed by conservative Aznar, who was close to President George W. Bush. Instead of determining the facts first, the intelligence service was ordered to come down hard on Vila Marques. He found himself subject to surveillance, wiretaps, and indirect threats to his personal safety and that of his family. Following the Madrid bombing, which led to the downfall of the Aznar government, and the installation of a liberal new government headed by Jose Luis Rodriguez Zapatero, Vila Marques fought back by presenting evidence to Madrid of his legal procedures in the US. This led the new Spanish government to rebuke the US Secret Service – a victory for Vila Marques.

This was not the only time Washington had targeted Vila Marques. In 2001, he discovered that four boxes of Laurel bonds in safe-keeping with a security firm in Germany, had been seized by the US Secret Service. When challenged by the German government to justify the seizure, the Secret Service was unable to establish that the documents were fraudulent. They were rebuked by the German authorities, and the four boxes of documents were taken from them and put into safekeeping by the Superior Court in Berlin.⁴⁶

While Vila Marques was in Berlin to press for their return, he left his hotel room for a few minutes only to discover on his return that US agents had intimidated the hotel maid and gained entry to his room, where they stole his private papers.

One of the boxes of Laurel bonds, which had been left in the custody of document forensic-expert Halksworth in London, were confiscated by the British police when they took Halksworth into custody in connection with an entirely different investigation. In the opinion of most independent observers, Halksworth was falsely convicted of fraud in 2003 and is serving a six-year term in a UK prison. Then, in September 2004, Vila Marques received a scurrilous letter from the British police at 37 Wood Street, London, saying they were preparing to move to another location and would proceed to destroy the billions of dollars worth of Loretta Laurel's Federal Reserve bonds, "because of lack of space at the new facility."⁴⁷ The behavior of the British police in this instance can only be understood in light of the incestuous relationship between current regimes in the UK and US.

Over the years, as we have seen in this book, many individuals and groups have attempted to redeem gold certificates, FRNs and FRBs, or personal and family gold deposits, at banks and other financial institutions. A few have succeeded, but the vast majority have been threatened, intimidated, and some even have been murdered. Nevertheless, when all else fails, the US Treasury and the Fed have agreed to redeem such notes for a very deep discount – 2% or 5% of their face value.⁴⁸ In view of the failure of the Secret Service to steal the Laurel bonds, and its failure to damage the reputation of Vila Marques, such may turn out to be the case with the Laurel bonds. But the deal will be kept secret to avoid a stampede of similar legal challenges. As for the Laurel group, as little as 2% would still mean many billions of dollars.

If an agreement of some kind is not reached with the Laurel group, the US Treasury and the Fed will be looking at major lawsuits in Madrid and Berlin – the Central Court of Madrid is already closely reviewing the case. This could expose all the accumulated evidence, establish precedents, and spawn similar lawsuits all over a planet awash with bonds and certificates deceitfully issued by the US and UK governments in past decades with no serious intention of redeeming them.

Unlike others who have tried to redeem such notes or bonds, Vila Marques went to the unusual length to document their authenticity at one of Spain's top universities. Forensic experts

from many disciplines examined the bonds, the paper on which they were printed, the inks, the boxes, and other materials enclosed in the boxes, and collectively arrived at the conclusion that they were absolutely authentic in every detail. Unlike the UK, which easily railroaded Halksworth as a solitary forensic expert, the US could not do the same to a team of scientists from across the scholastic spectrum, especially not today, in Madrid courts famous for the tenacity of their magistrates, in a new Spain that is not intimidated by Washington, and in a new Europe that has begun to talk back.



ANNOTATIONS:

¹ According to Ben's daughter, who gave us the photo, the prince ordered Ben to wear Japanese army uniform during their flight to Manchuria to avoid attracting attention and raising questions.

² The prince knew that if Filipinos saw Ben in Japanese uniform, they would consider him a traitor, putting him and his family in danger.

³ Although the US Embassy in Manila continues to this day to deny any recoveries were ever made at Clark, the truth is that in 1959 Alberto Cacpal received permission from President Macapagal to attempt recoveries at Clark. The US Embassy eventually gave its permission in a memo dated January 20, 1967. The permission granted by Clark base commander Colonel William Truesdell were reconfirmed by the embassy in a memo date June 20, 1972 from Second Secretary John D. Forbes, who today is president of Eastern Voyager Corporation and chairman of the American Chamber of Commerce in Manila. These recoveries involved over 100 Filipinos and Americans including active US military. The list includes licenses issued to Santa Romana under the pseudonym R.S. Diaz, in December 1973. US military sources at Clark stated that "numerous recoveries were made". Cacpal was so successful that in 1987, President Marcos officially certified that Cacpal had turned over to the palace large quantities of precious gems, and 280,000 metric tons of gold. In the same document, Marcos identified General Lansdale as one of the trustees of Cacpal's vast fortune deposited at various major banks including Citibank. All documents supporting this brief summary are reproduced on our CDs.

⁴ The Pope. See Seagrave and Seagrave, Gold Warriors, Chapter 4.

⁵ This is supported by members of his family in Filipino court documents on our CDs dated 5 May 1994.

⁶ For the Chinese in the Philippines see Seagrave, Lords of the Rim, The Marcos Dynasty, and The Soong Dynasty.

⁷ Judge Chua's relationship with Ferdinand Marcos is discussed in detail in Seagrave, The Marcos Dynasty.

⁸ Much more information on the Halksworth case is available on line.

⁹ Marris, Rule by Secrecy, p.67

¹⁰ Marris, Rule by Secrecy, p.66

¹¹ By 1815, the Rothschilds were the principal financiers to the British government and the Bank of England. They held that same position with the German Hapsburg monarchy. Marris, Rule by Secrecy p.64.

¹² Marris, Rule by Secrecy p.55

¹³ Blum, The Morgenthau Diaries 1928-1938, pp. 324-326.

¹⁴ Larsen, "The Historical Fight for Honest Money". Arizona Breakfast Club address, reproduced in the Vila Marques files on our CDs.

¹⁵ Olsen and Wool, "Executive Orders and National Emergencies," in Policy Analysis, No. 358, October 28, 1999. Available online.

¹⁶ Many books recount how this was arranged, including Kevin Phillips' Wealth and Democracy, but the simplest and clearest summary is in Jim Marris' Rule by Secrecy.

¹⁷ The Trading with the Enemy Act, Public Law 65091, Chapter 106, Section 5B.

¹⁸ Blum, The Morgenthau Diaries, 1928-1938, pp. 452, 132 & 363.

¹⁹ Few people realize that the state of emergency concerning the possession of gold established by President Franklin Roosevelt was renewed by executive orders under Presidents Truman, Eisenhower and Kennedy. The extension of national emergency – see Executive Proclamation 2914, Executive Order 10896, Executive Order 10905, Executive Order 11037. These Executive Orders, which are not easy to find, are reproduced on our CDs.

²⁰ Hamburg-Groppe, Dorothy. "Key to the Gold Vault." Available online.

²¹ Crown jewels in New York. See Hamburg-Groppe, Dorothy. "Key to the Gold Vault". Available online.

²² See Diebold, Inc., "Security Products and Services." Available online.

²³ Hamburg-Groppe, Dorothy. "Key to the Gold Vault." Available online.

²⁴ At the time, the Benguet mines in the Philippines were the second biggest gold producer in all U.S. territory, and one of its biggest and most prominent share-holders was Douglas MacArthur. For a history of the Benguet Mines and MacArthur's shareholding, see Seagrave The Marcos Dynasty.

²⁵ The Marcos Dynasty, p.129

²⁶ An excellent account of the working relationship between the Mafia and the CIA can be found in Douglas Valentine's book, The Strength of the Wolf.

²⁷ See Douglas Valentine, The Strength of the Wolf for an excellent account.

²⁸ See the photograph of Santy seated in an armchair, reproduced on our CDs, which was taken during this period.

²⁹ Marco's political campaign and victory in 1965 is discussed in Seagrave, The Marcos Dynasty, pp. 179-181.

³⁰ The deaths of Laurel and Clemente are discussed in Seagrave, The Marcos Dynasty.

³¹ In 1950, the CIA bought CAT outright, through a holding company called Pacific Corporation. The deal was arranged by former OSS chief General "Wild Bill" Donovan, using money from the fanatical rightwing Texas billionaire, H.L. Hunt. (See also Chapter 16 of this book.)

³² Aldrich testimony: *The Scotsman*, 2003, www.thescotsman.co.uk/index.cfm?id=1040642003

³³ Aldrich testimony: *The Scotsman*, 2003. www.thescotsman.co.uk/index.cfm?id=1040642003

³⁴ See Seagrave, Soldiers of Fortune, p. 149.

³⁵ Our source on the "Tricky Dicky Notes" prefers to be anonymous, for reasons of personal safety. An image of a 'Tricky Dicky' Note appears on our CDs, and is different from other FRNs primarily in the type of paper used.

³⁶ The resmelting of Federal Reserve gold bars. See Hamburg-Froppe, Dorothy. "Key to the Gold Vault." Available online.

³⁷ This letter is reproduced in the Vila Marques files on our CDs.

³⁸ The Taylor and Curtin letters are reproduced in the Vila Marques files on our CDs.

³⁹ The public record of the case, and all available supporting exhibits and evidence, are on volume three of our CDs.

⁴⁰ Abundant information on Leinenweber and his wife come from reliable sources on the Internet.

⁴¹ Posner's judgment in full is on our CDs.

⁴² Larsen, "The Historical Fight for Honest Money". Arizona Breakfast Club, April 1979.

⁴³ Patman quoted by Larsen, op cit.

⁴⁴ *Lewis vs. United States*, 680 F.2d 1239 1982, #80-5905 US Court of Appeals 9th Circuit, reproduced in the Vila Marques files on our CDs.

⁴⁵ The Diligizer Archive #23, online.

⁴⁶ Documents of the Superior Court in Berlin are in the Vila Marques files on our CDs.

⁴⁷ Concerning the possible destruction of the Laurel bonds in London, we quote from the letter of Paul Wheatley, Economic Crime Department, Police Headquarters, 37 Wood Street, London, 14 September 2004.

⁴⁸ The Diligizer Archive #23, online.