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Robert Kiyosaki Why the Rich Get Richer



How the Financial Crisis Was Built Into the System

by Robert Kiyosaki

Good (1259 Ratings)

Posted on Monday, November 24, 2008, 12:00AM

How did we get into the current financial mess? Great question.

Turmoil in the Making

In 1910, seven men held a secret meeting on Jekyll Island off the coast of Georgia. It's estimated that those seven men represented one-sixth of the world's wealth. Six were Americans representing J.P. Morgan, John D. Rockefeller, and the U.S. government. One was a European representing the Rothschilds and Warburgs.

In 1913, the U.S. Federal Reserve Bank was created as a direct result of that secret meeting. Interestingly, the U.S. Federal Reserve Bank isn't federal, there are no reserves, and it's not a bank. Those seven men, some American and some European, created this new entity, commonly referred to as the Fed, to take control of the banking system and the money supply of the United States.

In 1944, a meeting in Bretton Woods, N.H., led to the creation of the International Monetary Fund and the World Bank. While the stated purposes for the two new organizations initially sounded admirable, the IMF and the World Bank were created to do to the world what the Federal Reserve Bank does to the United States.

In 1971, President Richard Nixon signed an executive order declaring that the United States no longer had to redeem its paper dollars for gold. With that, the first phase of the takeover of the world banking system and money supply was complete.

In 2008, the world is in economic turmoil. The rich are getting richer, but most people are becoming poorer. Much of this turmoil is directly related to those meetings that took place decades ago. In other words, much of this turmoil is by design.

Power and Domination

Some people say these events are part of a grand conspiracy, and that might well be. Some people say they represent the struggle between capitalists, communists and socialists, and that might be, too.

I personally don't participate in the debate over a possible global conspiracy; it's a waste of time. To me, the wider struggle is for power and domination. And while this struggle has done a lot of good — and a lot of bad — I just want to know how to avoid becoming its victim. I see no reason to be a mouse trying to stop a herd of elephants from fighting.

Currently, many people are suffering due to high oil price, the slowdown in the economy, loss of jobs, declines in home values, increased bankruptcies and businesses closings, savings being wiped out, the plummeting stock market, and rising inflation. These realities are all direct results of this financial power struggle, and millions of people are its victims today.

An Extreme Example

I was in South Africa in July of this year. During my television and radio interviews there, I was often asked my opinion on the world economy. Speaking bluntly, I said that South Africans had a better opportunity of comprehending the global turmoil because they're neighbors to Zimbabwe, a country run by Robert Mugabe.

In my interviews, I said, "What Mugabe has done to Zimbabwe, the Federal Reserve Bank and the IMF are doing to the world." Obviously, my statements disturbed many of the journalists. I did my best to comfort them and assure them I was not an anarchist. I explained, as best I could, that Zimbabwe was an extreme example of an out of control power struggle.

After they were assured I was only using Zimbabwe to illustrate my point, I said, "If you want to understand the world economy, take a refugee from Zimbabwe to lunch." I advised them to ask the refugee these questions:

- 1. How fast did the economy turn?

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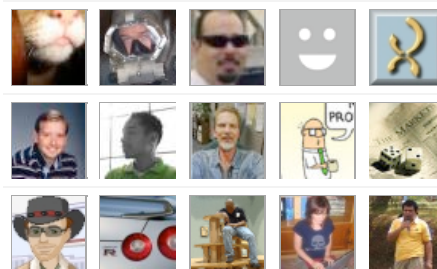
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- 2. When did you know that you were in financial trouble?
- 3. When did you finally decide to leave Zimbabwe?
- 4. If you could do things differently, what would you have done?

Three Approaches to a Crumbling Economy

I spoke to three young couples from Zimbabwe while I was in South Africa. Two couples were recent refugees now living in South Africa, and one couple still lives in Zimbabwe. All three couples had interesting stories to tell.

One couple said that they would have quit their jobs earlier. Instead, they hung on, hoping the economy would change. Then, virtually overnight, the value of the Zimbabwean dollar dropped and inflation went through the roof. Even though they received pay raises, the couple couldn't survive and soon depleted their savings. They left Zimbabwe by car with almost nothing. If they could've done something differently, they told me, they would have started a business in Zimbabwe and began exporting products to South Africa, so that they would have had South African currency and a bank account there before they fled.

The second couple that fled the country said they saved money and paid off their house and other debts even as the Zimbabwean dollar fell in value. Looking back, they say they would've saved nothing and gotten deeply in debt in Zimbabwe, allowing them to pay off their debt with the cheaper dollars. Instead, they fled after they lost their jobs, leaving behind their house and owning \$200,000 in nearly worthless Zimbabwean dollars.

The third couple still lives in Zimbabwe. When they saw the writing on the wall, they set up a business in South Africa and, with the profits, began acquiring tangible assets in Zimbabwe. Often, they'll buy an asset in Zimbabwe and pay the seller in South African currency. They believe that once Mugabe is gone and order is restored, they'll be in a strong financial position.

Many Problems, Few Solutions

There are three major problems with the events of 1913, 1944, and 1971. The first is that the Fed, the World Bank, and the IMF are allowed to create money out of nothing. This is the primary cause of global inflation. Global inflation devalues our work and our savings by raising the prices of necessities.

For example, when gas prices soared, many people said that the price of oil was going up. In reality, the main cause of the high price of oil is the decreasing value of the dollar. The Fed, the World Bank, and the IMF, like Zimbabwe, are mass-producing funny money, thereby increasing prices and devaluing our quality of life.

The second problem is that our economic crises are getting bigger. In the 1970s, the Fed faced and solved million-dollar crises. In the 1980s, it was billion-dollar crises. Today, we have trillion-dollar crises. Unfortunately, these bigger crises mean more funny money entering the system.

Apocalypse Soon

The third problem is that in 1913, the Fed only protected the large commercial banks such as Bank of America. After 1944, the Fed, the World Bank, and the IMF began bailing out Third World nations such as Tanzania and Mexico. Then, in 2008, the Fed began bailing out investment banks such as Bear Stearns, and its role in the Fannie Mae and Freddie Mac debacle is well known. By 2020, the biggest of bailout of all will probably occur: Social Security and Medicare, which will cost at least a \$100 trillion.

Even if we find more oil and produce more food, prices will continue to rise because the value of the dollar will continue to decline. The dollar has lost over 90 percent of its value since the Fed was created. The U.S. dollar will continue to decline because of those seven men on Jekyll Island in 1910.

Granted, the funny-money system has done a lot of good — it has improved the world and made a lot of people rich. But it's also done a lot of bad. I believe somewhere between today and 2020, the system will break. We're on the eve of financial destruction, and that's why it's in gold I trust. I'd rather be a victor than a victim.

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Kurt N - Saturday, November 29, 2008, 10:12PM ET [Report Abuse](#)

Overall:


Forget about bashing the author, he is simply laying out what most people should already know. If you spend more than you have year after you your personal wealth is going to be lower which is what this country has been doing for the last 30 or more years. We used to be the be the biggest surplus in the world and now have the largest deficit. As a result, we are not investing into new technologies which will support us and create jobs in the future which is why we are at we were at today. We cannot afford to outsource more jobs overseas and not have it impact our economy simply to temporarily boost corporate profits. Our short term thinking is our biggest enemy. I believe a diversified portfolio which includes hard assets like commodities will help weather the storm we are about to face. It has already started but you have seen nothing yet.

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Overall:

Very well written article. Once again Robert has made a difficult subject very easy to understand. You may not completely agree with the article, but you can't argue with the fundamentals of his financial education. People that have become educated using his books and games are probably doing well financially during this difficult time. People that have followed the traditional financial advice have taken a beating. I suggest you buy his books. His books allowed me to turn \$10K into over \$1M in 6 six years of investing. Good luck!

Michael B - Saturday, November 29, 2008, 5:12PM ET [Report Abuse](#)

Overall:

Wow. Kiyosaki is so bad. He is a joke. Everyone with an ounce of knowledge/experience can tell he is re-states what everyone else says or makes up figures. "Social Security and Medicare....will cost at \$100 trillion" Where did you get that number? He just made it up. He is a true snake oil salesman. I hope people don't take him seriously.

Yahoo! Finance User - Saturday, November 29, 2008, 4:13PM ET [Report Abuse](#)

Overall:

"perhaps these events are part of a grand conspiracy or perhaps they represent the struggle between capitalists, communists and socialists, or perhapsâ!" In absence of light darkness prevails.

xxaphius03 - Saturday, November 29, 2008, 3:53PM ET [Report Abuse](#)

Overall:

It's stunning some of you think the story of the creation of the Fed is a "conspiracy theory" - do you think it came from Mars? Read the history, folks. It's available, and factual as presented here. Gold- this is an investment to hedge against a total system collapse - a risk some of you are too thick and indoctrinated to consider, despite it's very real possibility - pretty dumb to laugh it off, but, you'll suffer the consequences for yourself, so, have fun! So, were we a third world nation BEFORE the Fed, smart guys? No. Stupid comment. Bottom line - Peak Oil Debts & Obligation impossible to cover, = trouble. Don't need a degree to figure it out boys. Smarten up.

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