



Revealed: The Real Reason Behind America's Adoption of Central Banking and Income Tax in 1913

Nick Giambruno, Nov 11, 2025

1913 was a terrible year for America and human freedom.



It was the year Congress passed the Federal Reserve Act and ratified the 16th Amendment to the US Constitution, which authorized a federal income tax.

At first glance, these two unfortunate developments may seem unrelated. Yet what are the odds that the US would adopt both a central bank and an income tax in the very same year? It seems implausible that this was the result of mere chance. In fact, upon closer examination, the Federal Reserve system depends on an income tax to function as it does.

Let me put it into the simplest and most concise terms.

1. Central banks create fake money out of thin air.

2. They then loan this "money" to governments at interest by purchasing government bonds with it.
3. The primary asset held by the Fed is government debt. However, what secures and collateralizes this debt? The government's ability to tax its citizens.
4. Governments use violence and threats of violence to extract taxes from average citizens to pay the interest and service the debt owed to the central bank, which created the money it loaned to the government out of thin air.

It was no coincidence that the federal income tax was imposed on the American people shortly before the establishment of the Federal Reserve in 1913. Here's why.

What is the primary asset central banks own?
Government bonds.

What secures the value of government bonds?
The ability of the government to extract taxes from its citizens.

The income tax is what gives the US government access to a huge funding source, effectively a permanent and uncapped claim on the productivity of all citizens. Without it, US government debt would be far less attractive to own, and the central banking scam wouldn't work.

In short, you and your productivity are the collateral for your government's debts to the central bank. Your labor is what secures their loan—which they made with money they created out of nothing—to your government.
That's the unvarnished truth about central banking.

In short, it's the business of usury and tax farming.
(To me, a more practical modern meaning of usury is "enslaving people with financial trickery." Central banking clearly fits the bill.)

Outpacing Debasement

The central bank is a powerful wealth transfer mechanism that enables governments to harvest the productive efforts of their citizens efficiently and surreptitiously.

The central bank's currency debasement transfers wealth from savers to those closest to the money printer, namely governments and their cronies.

The central bank's real mandate is to transfer as much wealth as possible via currency debasement to the political class without causing alarm among the plebs.

Ideally, it happens gradually so nobody notices, like a child taking only a little money out of his mother's purse each day so she doesn't notice.

However, sometimes their theft spirals out of control, and it's impossible for the plebs not to notice.

Consider this.

Imagine working 9 to 5 for 50 years, only for the Federal Reserve to print 40% of the money supply and inflate away 20 years of your hard work.

You don't have to imagine—it actually happened during the Covid mass psychosis, as governments worldwide indulged in a frenzy of currency debasement.

I have no doubt that something like this or much worse will happen again soon.

In other words, if your after-tax wealth hasn't increased by 40% since 2020, you aren't keeping pace with the monetary debasement.

As Michael Saylor puts it, "The road to serfdom consists of working exponentially harder in order to earn a currency growing exponentially weaker."

It's no wonder an increasing number of people are having a harder time making ends meet. The speed only ratchets upward when running on the fiat treadmill.

Outpacing Debasement AND Taxation

Living under the central bank's fiat currency regime means you must earn your money twice, first when you earn it and then to preserve its value from the corrosive effects of inflation.

That's why many people turn to riskier assets such as stocks, bonds, and real estate in a struggle to maintain their purchasing power.

However, there is no guarantee that those investments will keep up with inflation. But suppose they do. They will then be subject to a capital gains tax, even if it's only a nominal gain.

That means savers face the daunting task of outpacing inflation AND the capital gains tax just to maintain their purchasing power. That's made saving an impossible task for many people.

Previously, people could simply save in sound money—either gold or a derivative of it—and dedicate their time to their families and pursuing their passions.

There was no need for a dentist, construction worker, or small business owner to double as a hedge fund manager, attempting to predict market movements just to preserve what they had already earned.

Today, the fate of many people's savings hinges on Japanese monetary policy, the possibility of another financial crisis in Argentina, turmoil in the Middle East, a Trump tweet, or the stock market throwing a tantrum over a comment from the Chairman of the Federal Reserve—or countless other ever-changing macroeconomic factors. Frankly, it's absurd—made even more so because most people mindlessly accept this situation as "normal."

Bonds

Currency debasement has forced people to park their savings in assets they otherwise wouldn't have—particularly bonds.

Bonds are just a promise to pay someone central bank confetti in the future. They are an extension of the fiat system.

In recent decades, bonds in general, and US Treasuries in particular, have become the "go-to" savings vehicles for many people.

However, I think that will change soon as bonds will be incapable of storing value in the face of rampant debasement.

The big shift away from bonds has probably already begun.

That means a lot of the capital parked in bonds will be looking for a new home that functions as a better store of value. What could that be?

