

AMERICAN OPINION

**THE BANKERS  
AND  
THE FEDERAL  
RESERVE**

by Gary Allen

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# THE BANKERS

## Conspiratorial Origins Of The Federal Reserve

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■ IF YOU WILL check your wallet you will notice that on new currency all reference to redemption in "lawful money" has been deleted. The United States has taken the final step to a money system unbacked by anything of value and hence inflatable to the point of worthlessness. There are no more gold certificates, no more silver certificates, and the "redeemable in lawful money" clause has been removed from Federal Reserve Notes. Our remaining gold is quadruply mortgaged to foreigners, and it is a felony for Americans privately to own gold bullion. The government policy of melting silver coins (our last real money) and selling the silver at artificially low prices was initiated by the Johnson Administration and has been continued by the "New Leadership" team of Richard Nixon.

The matter is very serious indeed, and looks for all the world like a set-up for economic catastrophe.

But, challenging the paper-money policies of our Federal Reserve System means confronting what may be the most

powerful body in the country. It controls our money supply and interest rates, and thereby manipulates the entire economy — creating inflation or deflation, recession or boom, and sending the stock market up or down at whim. The Federal Reserve is so powerful that Congressman Wright Patman, Chairman of the House Banking Committee, maintains:

*In the United States today we have in effect two governments. . . . We have the duly constituted Government . . . . Then we have an independent, uncontrolled and uncoordinated government in the Federal Reserve System, operating the money powers which are reserved to Congress by the Constitution.*

Presidents, Congressmen, and Secretaries of the Treasury do not tell the Federal Reserve what to do; in the matters of money, the Federal Reserve tells them what to do! The uncontrolled power of "the Fed" was admitted by Secretary of the Treasury David M. Kennedy in an interview for the May 5, 1969, issue of *U.S. News & World Report*:

*Q. Do you approve of the latest credit-tightening moves?*

*A. It's not my job to approve or disapprove. It is the action of the Federal Reserve.*

In his memoirs, William McAdoo, Woodrow Wilson's son-in-law and Secretary of the Treasury when the Federal Reserve Act was passed, makes it clear



that "the Fed" was *designed* to have power over the Treasury. He writes that though "... the Federal Reserve Board still has offices in the Treasury Building, it is not at all subservient to the Treasury Department — and never was."<sup>\*</sup>

The origin of such unrestricted power calls for considerable explanation.

There are, of course, different types of banks to serve different markets. A pawn shop is the poor man's bank. It takes a man's overcoat as collateral and lends him enough money for a meal and a bed. The credit union is the workingman's bank and holds a claim against his future wages. Most businessmen deal with a commercial bank, and large corporations often obtain capital and loans from investment banking firms. But where do governments get the enormous amounts of money they need?

Most, of course, comes from taxation; but governments often spend more than they are willing to tax from their citizens and are forced to borrow. Our national debt is now \$372 billion — every cent of it borrowed at interest from somewhere.

The public is led to believe that our government borrows from "the people" through savings bonds. Actually, only the smallest percentage of the national debt is held by individuals in this form.<sup>†</sup> Most government bonds, except those owned by the government itself through its trust funds, are held by vast banking firms known as international banks. In the field of banking, as in all other fields, there is an institution to fulfill every demand, whether it be someone pawning an over-

coat or a government borrowing hundreds of billions of dollars.

For centuries there has been big money to be made by international bankers in the financing of governments and kings. Such operators are faced, however, with certain thorny problems. We know that smaller banking operations protect themselves by taking collateral, but what kind of collateral can you get from a government or king? What if when the banker comes to collect the king says, "Off with his head"? The process through which one collects a debt from a government or a monarch is not a subject taught in the business schools of our universities, and most of us — never having been in the business of financing kings — have not given the problem much thought. But there is a king-financing business, and to those who can ensure collection it is very lucrative indeed.

Professor Stuart Crane, chairman of the Department of Economics at Bob Jones University, has pointed out that there are two means used to collateralize loans to governments and kings. First, we know that whenever a business firm borrows big money its creditor obtains a voice in management to protect his investment. Like a business, no government or king can borrow big money unless willing to surrender to the creditor some measure of sovereignty as collateral. Certainly international bankers who have loaned hundreds of billions of dollars to governments around the world command considerable influence in the policies of such governments.

But the ultimate advantage the creditor has over the king or president is that if the ruler gets out of line the banker can finance his enemy or rival. Therefore, if you want to stay in the lucrative king-financing business, it is wise to have an enemy or rival waiting in the wings to unseat every king or president to whom you lend. If the king doesn't have an enemy, you must create one. According to Professor Crane:

<sup>\*</sup>William G. McAdoo, *Crowded Years*, Houghton, Mifflin & Company, New York, 1931, Page 286.

<sup>†</sup>Because Americans believe the national debt is in the hands of "the people," most have accepted the "Liberal" placebo that "we owe it to ourselves," and pay little attention to the national debt. Since the true national debt, including unbudgeted promises to pay, is well in excess of \$1 trillion — and figures out to over \$20,000 per family — the cliché "we owe it to ourselves" applies to you only if you happen to own \$20,000 in U.S. Bonds.

*If you will look back at every war in Europe during the Nineteenth Century, you will see that they always ended with the establishment of a "balance of power." With every re-shuffling there was a balance of power in a new grouping around the House of Rothschild in England, France, or Austria. They grouped nations so that if any king got out of line a war would break out and the war would be decided by which way the financing went. Researching the debt positions of the warring nations will usually indicate who was to be punished.*

Still, it is not all that simple. There has been an immense amount of drivel written about international bankers. Some would have you believe that no stage-coach was ever robbed nor damsel sold into white slavery except at the malevolent behest of some international banker. Such a downgrading of private malice disregards the nature of man.

Probably the most comprehensive

single source covering the international banking structure is an enormous volume called *Tragedy And Hope*, by Professor Carroll Quigley of the Foreign Service School at Georgetown University.\* The subject is not one about which authentic information is readily available. Yet, it is impossible to understand the history of the Twentieth Century without an understanding of the role played by the international bankers in our economic and political life. Carroll Quigley spells out their vast aims this way:

*In addition to these pragmatic goals, the powers of financial capitalism had another far-reaching aim, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole. The system was to be controlled in a feudalist fashion by the central banks of the world acting in concert, by secret agreements arrived at in frequent private meetings and conferences.†*

Preeminent among these international banking combines has been the House of Rothschild. Professor Quigley says:

*The greatest of these dynasties, of course, were the descendants of Meyer Amschel Rothschild (1743-1812) of Frankfort, whose male descendants, for at least two generations, generally married first cousins or even nieces. Rothschild's five sons, established at branches in Vienna, London, Naples, and Paris, as well as Frankfort, cooperated together in ways which other international banking dynasties copied but rarely excelled. (Page 51.)*

There are others, of course. The Georgetown historian lists a few of the most prominent:

\*Quigley's 1348-page book, published by The MacMillan Company at New York in 1966, is one of the most important ever written about the international conspiratorial apparatus, and is a must for serious students of modern history. (The hardbound edition is once again available.) Although Professor Quigley — who taught at Princeton and Harvard, and is a member of the editorial board of *Current History* — writes from the Establishment point of view, he presents considerable information which makes a strong case concerning the existence of an elite international conspiracy.

†Some of these meetings we know about include those of the Bilderberger group, which meets in secret session twice a year; the highly secretive Pilgrim Society, whose stated purpose is to create an English-speaking empire; the Council on Foreign Relations, the membership list of which is public (there are 1,400 members) but whose meetings are private; and, the Bank of International Settlements, a private group of central bankers which meets monthly at Basel, Switzerland.

*The names of some of these banking families are familiar to all of us and should be more so. They include Baring, Lazard, Erlanger, Warburg, Schröder, Seligman, the Speyers, Mirabaud, Mallet, Gould, and above all the Rothschild and Morgan . . . they remained different from ordinary bankers in distinctive ways: (1) they were cosmopolitan and international; (2) they were close to governments and were particularly concerned with questions of government debts, including foreign government debts . . . These bankers came to be called "international bankers." (Page 52.)*

Since the keystone of the international banking empires has been government bonds, it has been in the interest of these international bankers to encourage government debt. The higher the debt the more the interest. Nothing drives government deeply into debt like a war; and, it has not been an uncommon practice among international bankers to finance both sides of the bloodiest military conflicts. They did this, for example, during our Civil War. The North was financed by the Rothschilds through their American agent August Belmont, and the American South through the Erlangers, Rothschild relatives.\*

Also, the international bankers have often supported revolutionaries — providing enemies for kings and governments they were financing. Radical movements are never successful unless they attract big money and/or outside support. Oswald Spengler, the greatest historian of the Twentieth Century, was one of those who saw what American "Liberals" refuse to see — that the "Left" is controlled by its alleged enemy, the international

\*See Stephen Birmingham, *Our Crowd*, Dell, New York, 1967. Compare Clement Eaton, *History Of The Southern Confederacy*, The Macmillan Company, New York, 1954.

cartelists and bankers. Spengler wrote in his monumental *Decline Of The West*:

*There is no proletarian, not even a Communist, movement, that has not operated in the interests of money, in the directions indicated by money, and for the time being permitted by money — and that without the idealists among its leaders having the slightest suspicion of the fact.*

For example, these bankers were deeply involved in the bloody French Revolution. Professor Quigley reports:

*At that date [1800], financial power [in France] was in the hands of about ten or fifteen private banking houses whose founders, in most cases, had come from Switzerland in the second half of the eighteenth century. These bankers, all Protestant, were deeply involved in the agitations leading up to the French Revolution. When the revolutionary violence got out of hand, they were the chief forces behind the rise of Napoleon, whom they regarded as the restorer of order. (Page 515.)*

The international bankers also bankrolled the Russian Revolution. The chief financier in that case was Jacob Schiff of the New York international banking firm of Kuhn, Loeb and Company. As the *New York Journal-American* noted on February 3, 1949: "Today it is estimated by Jacob's grandson, John Schiff, that the old man sank about 20,000,000 dollars for the final triumph of Bolshevism in Russia."

Possibly the best source of information on the financing of the Russian Revolution is *Czarism And The Revolution* by an important White Russian named Arsene de Goulevitch, founder in France of the Union of Oppressed Peo-



ples. In this volume, written in French and since translated into English, de Goulevitch notes:

*The main purveyors of funds for the revolution, however, were neither the crackpot Russian millionaires nor the armed bandits of Lenin. The "real" money primarily came from certain British and American circles which for a long time past had lent their support to the Russian revolutionary cause. Thus Trotsky, in his book "My Life," speaks of a large loan granted in 1907 by a financier belonging to the British Liberal Party. This loan was to be repaid at some future date after the overthrow of the Czarist regime. According to Trotsky, the obligation was scrupulously met by the revolution. The financier just mentioned was by no means alone among the British to support the Russian revolution with large financial donations.*

A footnote to the above contains this critical addition:

*On April 7, 1917, General Janin made the following entry in his diary ("Au G.C.C. Russe" - at Russian G.H.Q. - "Le Monde Slave," Vol. 2, 1927, pp. 296-297): Long interview with R., who confirmed what I had previously been told by M. After referring to the German hatred of himself and his family, he turned to the subject of the Revolution which, he claimed, was engineered by the English and, more precisely, by Sir George Buchanan and Lord [Alfred] Milner. Petrograd at the time was teeming with English . . . . He could, he asserted, name the streets and the numbers of the houses in which British agents were quar-*

*tered. They were reported, during the rising, to have distributed money to the soldiers and incited them to mutiny.*

De Goulevitch goes on to reveal: "In private interviews I have been told that over 21 million roubles were spent by Lord Milner in financing the Russian Revolution." All of which is very interesting since Czarist Russia was an ally of Britain in the war with Germany then in progress. After the Communists seized power in the October Revolution, Lenin quickly signed a peace treaty with Germany, allowing the Kaiser to shift all of his troops to the Western Front to kill American and English soldiers. It is impossible to calculate how many Allied troops were sacrificed because of the treachery of Comrades Schiff and Milner.

Alfred Milner's role in the Russian Revolution is particularly significant since he was the founder of England's secret "Round Table" group which started the Royal Institute for International Affairs, parent organization of America's powerful and prestigious Council on Foreign Relations - at least seventy members of which now hold top appointments in the Nixon Administration. Quigley comments on Page 950 of his authoritative book: "In fact, this network, which we may identify as the Round Table Groups [including the C.F.R.], has no aversion to cooperating with the Communists, or any other groups, and frequently does so." He continues:

*I know of the operations of this network because I have studied it for twenty years and was permitted for two years, in the early 1960's, to examine its papers and secret records. I have no aversion to it or to most of its aims and have, for much of my life, been close to it and to many of its instruments.*

Among other international bankers financing the Russian Revolution were Olaf

Aschberg of the Nye Banken of Stockholm, the Rhine Westphalian Syndicate, and a wealthy banker named Jivotovsky whose daughter later married Leon Trotsky. However, the chief European funding came from Max Warburg of Hamburg, Germany, who was the brother of Jacob Schiff's son-in-law, Felix Warburg, as well as of Schiff's partner, Paul Warburg. Curiously the latter was the man most instrumental in the establishment of the Federal Reserve System.\*

Jacob Schiff claimed that his massive support of the Russian Revolution stemmed from his hostility to Czarist anti-Semitism. In his fawning collective biography, *Men Who Are Making America* (1922), B.C. Forbes says:

*When the American Jewish Relief Committee launched its campaign to raise \$10,000,000 for Jewish victims of the war, Mr. Schiff invited to dinner several hundred of the most prominent members of the race, made a stirring appeal, announced a personal contribution of \$100,000 and so aroused the gathering that over \$2,500,000 was pledged on the spot. Mr. Schiff's donation, he specified, would be used in establishing a hospital unit in Russia "in recognition of the emancipation of the Jew, won through the revolution." (Pp. 334-335.)*

You will note that this book was published in 1922, long after it was obvious what butchers Lenin and his Bolsheviks really were. Schiff was using his fellow Jews as he used everyone else. According to de Goulevitch:

*Mr. Bakhmetiev, the late Russian Imperial Ambassador to the United States, tells us that the Bolsheviks, after victory, transferred 600 million roubles in gold between the years 1918 and 1922 to Kuhn, Loeb & Company [Schiff's firm].*

But, of course, while wars and revolutions have been useful to international bankers in gaining or increasing control over governments, the key to such control has always been control of money. You can't control a government unless you have it in debt, and a creditor is in the best position to demand the privileges of monopoly from the sovereign. That monopoly which the international financiers have most coveted is control over a nation's money. Professor Quigley explains:

*The influence of financial capitalism and of the international bankers who created it was exercised both on business and on governments . . . [It was] based on the assumption that politicians were too weak and too subject to temporary popular pressures to be trusted with control of the money system; accordingly, the sanctity of all values and the soundness of money must be protected . . . by allowing bankers to control the supply of money. (Page 53.)*

By private banking interests, Quigley and the international bankers mean a government-granted monopoly. Under this system, observed Reginald McKenna, President of the Midlands Bank of England: "Those that create and issue the money and credit direct the policies of government and hold in their hands the destiny of the people."<sup>†</sup> Once the government is in debt to the bankers it is at their mercy. A frightening example was cited by the London *Financial Times* of September 26, 1921, which revealed that even at that time: "Half a dozen men at

\*See *Papers Relating To The Foreign Relations Of The United States-Russia, 1918*, House of Representatives Document No. 1868, U.S. Government Printing Office, Washington, 1931, Vol. 1, Pp. 374-376.

<sup>†</sup>*National Economy And The Banking System*, Senate Documents, Vol. 3, No. 23, 76th Congress, 1st Session, 1939.



the top of the Big Five Banks could upset the whole fabric of government finance by refraining from renewing Treasury Bills.”

The instruments through which the international financiers established such monopoly control were their central banks in each major country of Europe.\*

All those who have sought dictatorial control over modern nations have understood the necessity of a central bank. When the mysterious group calling itself the League of Just Men hired a hack revolutionary named Karl Marx to write a blueprint for conquest called *The Communist Manifesto*, the fifth plank read: “Centralization of credit in the hands of the state, by means of a national bank with state capital and an exclusive monopoly.” Lenin later said that the establishment of a central bank was ninety percent of communizing a country. Such conspirators knew that you cannot take control of a nation without military force unless that nation has a central bank through which you can control its economy. The international financiers set up their own front men in charge of each of Europe’s central banks. Professor Quigley reports:

*It must not be felt that these heads of the world’s chief central banks were themselves substantive powers in world finance. They were not. Rather, they were the tech-*

\*The one exception was Russia, where the Czar refused to allow the establishment of a central bank under foreign control. This may help explain why so many international bankers were involved in financing the Communist Revolution in Russia. Of course, their financial support of Lenin did not end with the Communist victory. See Antony C. Sutton, *Western Technology And Soviet Economic Development 1917 To 1930*, Hoover Institution, Stanford, 1968.

†*The Writings Of Thomas Jefferson*, Vol. X, G.P. Putnam & Sons, New York, 1899, Page 31.

‡Gustavus Myers, *History Of The Great American Fortunes*, Random House, New York, 1936.

*nicians and agents of the dominant investment bankers of their own countries, who had raised them up and were perfectly capable of throwing them down. The substantive financial powers of the world were in the hands of these investment bankers (also called “international” or merchants’ bankers) who remained largely behind the scenes in their own unincorporated private banks. These formed a system of international cooperation and national dominance which was more private, more powerful, and more secret than that of their agents in the central banks . . . .* (Page 326.)

The international bankers who owned and controlled the Banks of England and France maintained their power even after those Banks were theoretically socialized.

Naturally those who controlled the central banks of Europe were eager from the start to fasten a similar establishment on the United States. The Founding Fathers had from the earliest days of the Republic been conscious of attempts to control America through money manipulation, and carried on a running battle with the international bankers. Thomas Jefferson wrote in a letter to John Adams: “. . . I sincerely believe, with you, that banking establishments are more dangerous than standing armies . . . .”†

But, even though America did not have a central bank after President Jackson abolished it in 1836, the European financiers and their American agents managed to obtain a great deal of control over our monetary system. Gustavus Myers, in his *History Of The Great American Fortunes*,‡ reveals:

*Under the surface, the Rothschilds long had a powerful influence in dictating American financial*

*laws. The law records show that they were powers in the old Bank of the United States [abolished by Andrew Jackson]. (Page 556n.)*

During the early part of the War Between the States, President Lincoln ordered the Treasury to print \$450 million in paper money (called greenbacks) unbacked by gold, silver, or the sale of government debt to the international bankers. The world financiers wanted currency printed only when it was backed by interest-bearing government bonds, which would be considered part of the national debt. Neither "fiat-money" greenbacks nor interest-bearing "debt currency" are a sound basis for any money system, but interest on Lincoln's greenbacks would have run to over \$49 billion in payments to the international bankers since their issuance in 1861.

However, Abraham Lincoln soon found that he could not fight both a Civil War *and* the international bankers. In 1863, the banker clique succeeded in pushing through the National Bank Act. The Government issued a special series of interest-bearing bonds, which the national banks could acquire and use as the basis for issuing non-interest-bearing bank notes. While the National Banking Act (under which America operated until the passage of the Federal Reserve Act in 1913) was a step towards central banking, and to a degree based the supply of money on the national debt, the financial power was diffused in many banks throughout the country rather than in a central bank, and there were built-in protections against inflation.

Though inflation has been the primary tool used by the international monopolists to whipsaw our economy during the Twentieth Century, deflation was the key ploy of the Nineteenth Century. In the years after the Civil War the government

ran consistent budget surpluses, and thus retired the bonds upon which the banks were issuing currency. This deflated the money supply, fattening the bankers and causing great hardship on borrowers who were repaying loans in currency of greater purchasing power than that which they had borrowed. Particularly hard-pressed were farmers — who were victims not only of deflation, but high tariffs.

Yet, by the turn of the century America was expanding so fast, and creating so much capital in diversified hands, that the international financiers operating through New York were in danger of losing control. This is quite the opposite of the picture generally drawn, but is nonetheless well documented. Perhaps the best analysis is that by "Liberal" Professor Gabriel Kolko in his excellent book, *The Triumph Of Conservatism*.<sup>\*</sup> On the basis of his extensive research, Dr. Kolko comments:

*Despite the large number of mergers, and the growth in the absolute size of many corporations, the dominant tendency in the American economy at the beginning of this century was toward growing competition. Competition was unacceptable to many key business and financial interests . . . . As new competition sprang up, and as economic power was diffused throughout an expanding nation, it became apparent to many important businessmen that only the national government could rationalize the economy . . . .*

*Ironically, contrary to the consensus of historians, it was not the existence of monopoly that caused the federal government to intervene in the economy, but the lack of it . . . .*

*In the long run, key business leaders realized they had no vested interest in a chaotic [competitive] industry and economy in which*

<sup>\*</sup>Gabriel Kolko, *The Triumph Of Conservatism*, Quadrangle Books, Chicago, 1967.

not only their profits but their very existence might be challenged. (Pp. 4-6.)

The names of the international financial groups in America which were so interested in protecting their cartels against competition are indicated by Sereno Pratt in *The Work Of Wall Street*:

*When we speak in Wall Street of the "private bankers," we refer to the handful of great banking-houses whose operations are on an international scale, and which in the United States represent the same power that the Rothschilds have so long possessed in Europe. These houses may, like J.P. Morgan & Co., Kuhn, Loeb & Co., J. and W. Seligman & Co., Speyer & Co., and Brown Bros. & Co., be closely allied by partnership ties to other powerful firms in other cities; and represent here the great firms and institutions of Europe, just as August Belmont & Co. have long represented the Rothschilds.\**

Soon to join the above were the Rockefellers, who went into banking in a big way shortly after the turn of the century when John D. Rockefeller bought the Chase Bank and his brother William bought the National City Bank of New York. The Rockefeller Chase Bank was later merged with the Warburg's Manhattan Bank to form Chase-Manhattan, the most powerful financial institution in the world today.

During the Nineteenth Century the leading financiers of the metropolitan East often cut one another's financial throats, but as their Western and rural victims started to organize politically, the "robber barons" saw that they had a "community of interest" which they must work together to protect from thousands of irate farmers and up and coming competitors.†

In *Years Of Plunder* (Harrison Smith & Robert Haas, New York, 1935), Proctor Hansl writes of this era: "Among the Morgans, Kuhn-Loebs and other similar pillars of the industrial order there was less disposition to become involved in disagreements that led to financial dislocation. A community of interest came into being, with results that were highly beneficial . . . ." This diffusion of economic power was one of the main factors stimulating the demands by would-be business and financial monopolists for a central bank. But outside of the major Eastern centers, most American bankers and their customers still distrusted the whole concept.

In order to show the yokels in the hinterlands that they were going to need a central banking system, the international bankers created a series of panics as a demonstration of their power; a warning of what would happen unless the rest of the bankers got into line. The man in charge of conducting these lessons was J. Pierpont Morgan, who was American born but educated in England and Germany. Morgan is referred to by many, including Congressman Louis McFadden, a banker who for ten years headed the House Banking and Currency Committee, as the top American agent of the English Rothschilds. He made his first fortune during the Civil War by selling the government defective rifles which had previously been declared unserviceable.‡

By the turn of the century J.P. Morgan was already an old hand at creating

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\*Sereno S. Pratt, *The Work Of Wall Street*, D. Appleton & Company, New York, 1916, Page 340.

†There has been much anti-capitalist nonsense written about the so-called "robber barons." One should not blame private enterprise for sins committed by bandits who more often than not worked through the government and were the recipients of its favors. That is not *laissez-faire*. In competitive capitalism, the government keeps out of business and *vice versa*.

‡Gustavus Myers, *History Of The Great American Fortunes*, Pp.549-552.



artificial panics. Such affairs were well coordinated. Senator Robert Owen, a co-author of the Federal Reserve Act who later deeply regretted his role, testified before a Congressional Committee that the bank he owned received from the National Bankers' Association what came to be known as the "Panic Circular of 1893," which stated: "You will at once retire one-third of your circulation and call in one-half of your loans."\* That had been a Morgan show. And, of course, J.P. Morgan came to the rescue of his contrived depression. According to Earl Sparling's *Mystery Men Of Wall Street*, on "February 8, 1895, J. Pierpont Morgan . . . bearded blunt Grover Cleveland in the White House study and huckstered to him and the nation \$65,000,000 of Rothschild gold."†

Historian Frederick Lewis Allen tells in *Life* magazine of Morgan's role in spreading rumors about the insolvency of the Knickerbocker Bank and the Trust Company of America which triggered the 1907 panic. In answer to the question: "Did Morgan precipitate the panic?" Allen reports:

*Oakleigh Thorne, the president of that particular trust company, testified later before a congressional committee that his bank had been subjected to only moderate withdrawals . . . that he had not applied for help, and that it was the [Morgan's] "sore point" statement alone that had caused the run on his bank. From this testimony, plus the disciplinary measures taken by the Clearing House against the Heinze, Morse and Thomas banks, plus other fragments of supposedly pertinent evidence, even including Bishop Lawrence's account of Morgan's cheerful singing in the dining car on Sunday morning [on his way to New York to stem the "panic"], certain chroniclers have arrived at the ingenious conclusion that the*

*Morgan interests took advantage of the unsettled conditions during the autumn of 1907 to precipitate the panic, guiding it shrewdly as it progressed so that it would kill off rival banks and consolidate the preeminence of the banks within the Morgan orbit.‡*

The "panic" which Morgan had created, he proceeded to end almost single-handedly. He had made his point. Frederick Allen explains:

*The lesson of the Panic of 1907 was clear, though not for some six years was it destined to be embodied in legislation: the United States gravely needed a central banking system . . .*

The man who was to play the most significant part in providing America with that central bank was Paul Warburg, who along with his brother Felix had immigrated to the United States from Germany in 1902. They left brother Max, later a major financier of the Russian Revolution, at home in Frankfurt to run the family bank, M.N. Warburg & Company, which had been in existence since 1798. Paul married Nina Loeb, daughter of Solomon Loeb of Kuhn, Loeb and Company, while Felix married Jacob Schiff's daughter, Frieda.§ Both brothers became Kuhn-Loeb partners,

\*Hearings on H.R. 7320, Banking and Currency Committee, 75th Congress, March 2 and 19, 1938, Page 214.

†Earl Sparling, *Mystery Men Of Wall Street*, Greenberg, New York, 1930, Page 17.

‡Frederick Lewis Allen, "Morgan The Great," *Life* magazine, April 25, 1949, Page 124.

§See Stephen Birmingham, *Our Crowd*, Page 22. Birmingham reveals that "In the eighteenth century the Schiffs and Rothschilds shared a double house" in Frankfurt. Schiff reportedly bought his partnership in Kuhn-Loeb with Rothschild money. The Rothschild family's original name was Bauer, but they adopted Rothschild (red shield) from the crest which hung over the door of their pawn shop.

Paul receiving a yearly salary of \$500,000. He had studied international manipulation in Hamburg, London, and Paris before coming to America. B.C. Forbes, in his laudatory *Men Who Are Making America*, comments:

*Paul M. Warburg more than any other man had made banking reform possible in this country. Trained scientifically in European national and international banking, our anachronistic currency system shocked him. (Page 401.)*

It has been theorized that Paul Warburg was sent to America by international bankers in Europe for the purpose of establishing a central bank here. Stephen Birmingham reveals in *Our Crowd*:

*... he [Paul] was possibly the most brilliant and versatile of all the Warburgs, and, for years, was a sort of itinerant Kuhn, Loeb partner, spending half of each year in New York and the other half with the Warburg bank in Germany, serving as a financial liaison between the two countries . . . . (Page 415.)*

In 1907, the year of the Morgan-precipitated panic, Warburg began spending almost all of his time writing and lecturing on the need for "bank reform." Kuhn, Loeb and Company was sufficiently public-spirited about the matter to keep him on salary at \$500,000 per year while for the next six years he donated his time to "the public good."

Working with Warburg in promoting this "banking reform" was Nelson Aldrich, known as "Morgan's floor broker

in the Senate."\* Aldrich's daughter Abby married John D. Rockefeller Jr. (the current Governor of New York is named for his maternal grandfather).

After the Panic of 1907, Aldrich was appointed by the Senate to head the National Monetary Commission. Although he had no technical knowledge of banking, Aldrich and his entourage spent nearly two years and \$300,000 of the taxpayers' money being wined and dined by the owners of Europe's central banks as they toured the Continent "studying" central banking.† When the Commission returned from its luxurious junket it held no meetings and made no report for nearly two years. But, Senator Aldrich was busy "arranging" things. Together with Paul Warburg and other international bankers, he staged one of the most important secret meetings in the history of the United States. Rockefeller agent Frank Vanderlip admitted many years later in his memoirs:

*Despite my views about the value to society of greater publicity for the affairs of corporations, there was an occasion, near the close of 1910, when I was as secretive — indeed as furtive — as any conspirator . . . . I do not feel it is any exaggeration to speak of our secret expedition to Jekyl Island as the occasion of the actual conception of what eventually became the Federal Reserve System.‡*

The secrecy was well warranted. At stake was control over the monetary system of the United States, and hence control over the entire economy. Senator Aldrich had issued confidential invitations to Henry P. Davison of J.P. Morgan & Company; Frank A. Vanderlip, President of the Rockefeller owned National City Bank; A. Piatt Andrew, Assistant Secretary of the Treasury; Benjamin Strong of Morgan's Bankers Trust Company; and, Paul Warburg. They were all to

\*Ferdinand Lundberg, *America's 60 Families*, The Vanguard Press, New York, 1938, Page 69.

†Kolko, Pp. 182-183.

‡Frank Vanderlip, "Farm Boy To Financier," *Saturday Evening Post*, February 9, 1935, Page 25.

accompany him to Jekyll Island, Georgia, to write the final recommendations of the National Monetary Commission report.

Vanderlip describes the extent to which the conspirators went in keeping their meeting a secret:

*We were told to leave our last names behind us. We were told further, that we should avoid dining together on the night of our departure. We were instructed to come one at a time and as unobtrusively as possible to the railroad terminal on the N.J. littoral of the Hudson, where Sen. Aldrich's private car would be in readiness, attached to the rear end of a train for the South.*

*... Once aboard the private car we began to observe the taboo that had been fixed on last names. We addressed one another as "Ben," "Paul," "Nelson," "Abe." Davison [Morgan's emissary] and I adopted even deeper disguises, abandoning our own first names. On the theory that we were always right, he became Wilbur and I became Orville, after those two aviation pioneers the Wright brothers.*

*The servants and the train crew may have known the identities of one or two of us, but they did not know all, and it was the names of all printed together that would have made our mysterious journey significant in Washington, in Wall Street, even in London. Discovery, we knew, simply must not happen, or else all our time and effort would be wasted. (Page 70.)*

Everyone on Jekyll Island, except the servants, was evacuated. Warburg's son James later observed, "My father, who did not know one end of a shotgun from the other, had to borrow a lethal weapon to camouflage himself as a duck hunter."\* But once they arrived at the palatial

Jekyll Island hunting club, it was all work and no play. Frank Vanderlip describes the week in these terms: "We worked morning, noon and night. We put in the most intense period of work that I have ever had . . . ."<sup>†</sup>

Paul Warburg still had doubts that America would swallow a central bank, but Aldrich thought the deception could be accomplished. Aldrich's biographer, N.W. Stephenson, has revealed: "... Aldrich said to him [just prior to the Jekyll Island trip], 'Mr. Warburg, I like your ideas . . . . You say we cannot have a central bank, and I say we can.' " The amazed Warburg later recounted in his own book, *The Federal Reserve System*:

*It is easy to imagine, but hard to describe, the mixed feeling of joy and bewilderment into which this remark threw me, for suddenly I found our roles reversed. Whereas before I had doubted whether the Senator could ever be persuaded to consider any central reserve plan, I*

\*James Warburg, *The Long Road Home*, Doubleday & Company, New York, 1964, Page 29.

†Like many other international financiers, Vanderlip did what he could to save the Soviet Union from collapse during the 1920s. Louis Budenz, former editor of the Communist *Daily Worker*, discloses in his *Bolshevik Invasion Of The West*: "... Nothing indicates how severely the legs of the 'American Imperialists' were pulled to build up the Soviet Empire more than Lenin's comment on the industrialist [and Rockefeller agent] Frank Vanderlip, delivered to the 8th Congress of Soviets on December 21, 1920. Jestng at the 'necessity' that the thirst for profits had brought Vanderlip to Soviet Russia for temporary 'concessions' then being handed out by Moscow, Lenin sardonically pointed to the fruits of political warfare:

" 'In a number of newspaper articles Vanderlip did everything to recommend an agreement with Soviet power and in one newspaper even wrote that he compares Lenin to Washington. It turns out, therefore, that we have propagandists in the bourgeois countries in favor or in agreement with us, and we obtained these propagandists from among representatives of exploiters of the worst type, such as Vanderlip.' " (Budenz, Page 115.)



now found it my part to dissuade him from going too far in that direction.\*

At Jekyl Island, writes B.C. Forbes:

*After a general discussion it was decided to draw up certain broad principles on which all could agree. Every member of the group voted for a central bank as being the ideal cornerstone for any banking system. (Page 399.)*

Warburg stressed that the name "central bank" must be avoided at all costs. It was decided to promote the scheme as a "regional reserve" system with four (later twelve) branches in different sections of the country. The conspirators knew that the New York bank would dominate the rest, which would be marble white elephants to deceive the public. The assembled bankers also agreed on the concept of a uniform discount rate, which was the method used by European central banks to eliminate competition and create inflation or deflation. Eliminating competition was another subject discussed. According to Professor Kolko:

*Although they agreed with Paul Warburg's statement that "it would be a blessing to get these small banks out of the way and have the branches for national banks," it was realized that this would lead to terrific opposition from smaller banks. It was generally appreciated that the plan would increase the power of the big national banks to compete with the rapidly growing state banks, help bring the state banks under control, and strengthen the position of the national banks in foreign banking activities. (Page 186.)*

Out of the Jekyl Island meeting came the completion of the Monetary Commis-

sion Report and the Aldrich Bill. Warburg had proposed the bill be designated the "Federal Reserve System," but Aldrich insisted his own name was already associated in the public's mind with banking reform and that it would arouse suspicion if a bill were introduced which did not bear his name. That it was not Aldrich's bill is beyond doubt. Professor Kolko says, "The plan which emerged from the conference was very much like Warburg's in principle, and Warburg claimed authorship for it even though Vanderlip actually drafted the final plan." (Page 184.)

The monopolists departed Jekyl Island in an assured mood. The *Banking Law Journal* had announced in December, 1909, that its own extensive poll among bankers showed that fifty-nine percent supported a central bank free from "Wall Street or any Monopolistic Interest." As Warburg told Senator Aldrich: "... One cannot help feeling very confident."

But Aldrich's name attached to the bill proved to be the kiss of death since any law bearing his name was so obviously a project of the international bankers.

When the Aldrich Bill could not be pushed through Congress, a new strategy had to be devised. The Republican Party was too closely connected with Wall Street. The only hope for a central bank was to disguise it and have it put through by the Democrats as a measure to strip Wall Street of its power. The opportunity to do this came with the approach of the 1912 Presidential election. Republican President William Howard Taft, who had turned against the Aldrich Bill, seemed a sure-fire bet for re-election until Taft's predecessor, fellow Republican Teddy Roosevelt, agreed to run on the ticket of

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\*Paul Warburg, *The Federal Reserve System*, Page 59. Warburg kept the Jekyl Island meeting secret for many years, stating on Page 60 of this book, "Though 18 years have since gone by, I do not feel free to give a description of this most interesting conference concerning which Sen. Aldrich pledged all participants to secrecy."

the Progressive Party. In *America's 60 Families*, Ferdinand Lundberg acknowledges:

*As soon as Roosevelt signified that he would again challenge Taft the President's defeat was inevitable. Throughout the three-cornered fight [Taft-Roosevelt-Wilson] Roosevelt had [Morgan agents Frank] Munsey and [George] Perkins constantly at his heels, supplying money, going over his speeches, bringing people from Wall Street in to help, and, in general, carrying the entire burden of the campaign against Taft. . . .*

*Perkins and J.P. Morgan and Company were the substance of the Progressive Party; everything else was trimming. . . .*

*. . . in view of the vast sums subsequently spent by him [Munsey] and Perkins to forward the Progressive campaign and insure Taft's defeat, the suspicion seems justified that the two were not over-anxious to have Roosevelt win. The notion that Perkins and Munsey may have wanted Wilson to win. . . is partly substantiated by the view that Perkins put a good deal of cash behind the Wilson campaign. . . .*

*In short, most of Roosevelt's campaign fund was supplied by the two Morgan hatchet men who were seeking Taft's scalp. (Pp. 110-112.)*

The Democrat candidate, Woodrow Wilson, was equally the property of Morgan. Dr. Kolko reports: "In late 1907 he [Wilson] supported the Aldrich Bill on banking, and was full of praise for Morgan's role in American society." (Page 205.) According to Lundberg, "For nearly twenty years before his nomination Woodrow Wilson had moved in the shadow of Wall Street." (Page 112.) A key man in making Wilson President was George Harvey, president of the Morgan controlled

*Harper's Weekly*, which began promoting Wilson for President in 1906. (Lundberg, Pp. 115-116.) According to Ferdinand Lundberg, "... The nomination [Wilson's] represented no less a triumph for [Thomas] Ryan, Harvey, and J.P. Morgan and Company." He continues:

*The financial genius behind Woodrow Wilson was Cleveland H. Dodge of the [Rockefeller] National City Bank. . . . Sitting with Dodge as co-directors of the National City Bank at the time were the younger Rockefeller, J. Ogden Armour, and James Stillman. In short, except for George F. Baker, everyone whom the Pujo [Congressional Investigating] Committee had termed rulers of the "Money Trust" was in this bank. (Pages 109 and 113.)*

Woodrow Wilson and Teddy Roosevelt proceeded to whistle-stop the country trying to out-do each other in florid (and hypocritical) denunciations of the Wall Street "money trust" — the same group of *Insiders* which was financing the campaigns of both. A contemporary George Wallace might have observed that there wasn't a dime's worth of difference.

Kolko tells us that, at the beginning of 1912, banking reform "seemed a dead issue. . . . The banking reform movement had neatly isolated itself." Wilson resurrected the issue and promised the country a money system free from domination by the international bankers of Wall Street. Moreover, the Democrat platform expressly stated: "We are opposed to the Aldrich plan for a central bank." But the "big boys" knew better. They knew what they had bought. Many switched ranks from the Republican to the Democrat Party. Among the international financiers who contributed heavily to the Wilson campaign, in addition to those already named, were Jacob Schiff, Bernard Baruch, Henry Morgenthau, Thomas Fortune Ryan, and *New York Times*

publisher Adolph Ochs. (Kolko, Pages 205 and 211.)

While they were preparing to elect Wilson, the banker *Insiders* were busy organizing a propaganda machine. Professor Kolko explains:

*It was especially crucial to remove the stigma of its [banking reform] having been originated by Wall Street interests and Nelson Aldrich. During the spring of 1911 the backers of the plan moved to create the National Citizens' League for the Promotion of a Sound Banking System to accomplish the task. Warburg and the other New York bankers behind the Aldrich plan arranged to have the league centered in Chicago . . . (Page 186.)*

Anyplace but New York! Of course, the Citizens' League was a front, headed by J. Laurence Laughlin of Rockefeller's University of Chicago. Carter Glass, ranking member of the House Banking and Currency Committee hired Laughlin's former student, protégé, and close confidante, H. Parker Willis, to write the bank reform legislation. "Glass," Kolko tells us, "had virtually no technical knowledge of banking . . ."

During the period Parker Willis was drawing up this legislation he stayed in close touch with Laughlin. In June, 1912, Willis reported to his mentor: "After a good deal of talk with Mr. Glass, I drew up a bill along the lines of which you and I spoke, and turned it into him." (Kolko, Page 219.) Whether Carter Glass realized this was the Aldrich Bill dressed up as a plan to liberate the country from Wall Street is not known.

The *Insiders'* man in charge of keeping Wilson in line and seeing that their program was put through Congress was

the mysterious "Colonel" Edward Mandell House, the British-educated son of a representative of England's financial interests in the American South. He was strictly a behind the scenes wire-puller and is regarded by many historians as the real President of the United States during the Wilson years. House authored a book, *Philip Dru: Administrator*, in which he wrote of establishing "Socialism as dreamed by Karl Marx." As steps toward his goal, House called (both in his book and in real life) for passage of a graduated income-tax and a central bank providing "a flexible [*inflatable paper*] currency." The graduated income-tax and a central bank are two of the ten planks of *The Communist Manifesto*.

In his *The Intimate Papers Of Colonel House*, Professor Charles Seymour refers to the Colonel as the "unseen guardian angel" of the Federal Reserve Act. Seymour's work contains numerous documents and records showing constant contact between House and Paul Warburg while the Federal Reserve Act was being prepared and steered through Congress. Biographer George Viereck assures us that "The Schiffs, the Warburgs, the Kahns, the Rockefellers, and the Morgans put their faith in House . . ." Their faith was amply rewarded.

In order to support the fiction that the Federal Reserve Act was "a people's bill," the *Insider* financiers put up a smoke-screen of opposition to it. It was strictly a case of Br'er Rabbit begging not to be thrown in the briar patch. Both Aldrich and Vanderlip denounced what for all practical purposes was their own bill. Nearly twenty-five years later Frank Vanderlip admitted: "Now although the Aldrich Federal Reserve Plan was defeated when it bore the name Aldrich, nevertheless its essential points were all contained in the plan that finally was adopted."\* Here was the "principle of reversal" at its most effective. Writing in *The Market Place* (Little, Brown & Company, Boston, 1938) Alexander Dana Noyes observed:

\*Frank Vanderlip, *Saturday Evening Post*, February 9, 1935, Page 72.



*To those of us who watched the incident sympathetically, though at first incredulously, it afterward seemed not improbable that the banking community's opposition to the administration's plan was itself unwittingly a potent influence in silencing Congressional objectors. (Page 243.)*

In his autobiography, William McAdoo, Wilson's Secretary of the Treasury and son-in-law, recalled:

*Bankers fought the Federal Reserve legislation – and every provision of the Federal Reserve Act – with the tireless energy of men fighting a forest fire. They said it was populist, socialistic, half-baked, destructive, infantile, badly conceived, and unworkable. (Page 213.)*

However, the coy McAdoo admits that maybe this was a deliberate fraud:

*These interviews with bankers led me to an interesting conclusion. I perceived gradually, through all the haze and smoke of controversy, that the banking world was not really as much opposed to the bill as it pretended to be . . . .*

*Very few events and very few people are what they seem to be. A deft manipulation of mass psychology is often behind historic happenings and popular movements of all kinds. (Pages 225 and 238.)*

After considerable shoving and hauling, all within limits acceptable to the *Insiders*, the Federal Reserve Act was passed on December 22, 1913, by a vote of 298 to 60 in the House, and in the Senate by a majority of 43 to 25. Wilson had fulfilled the pledge he had made to the *Insiders* in order to become President. Warburg told House, "Well, it hasn't got

quite everything we want, but the lack can be adjusted later by administrative process."

There was genuine opposition to the Act, but it could not match the power of the Bill's advocates. Conservative Henry Cabot Lodge Sr. proclaimed with great foresight, "The bill as it stands seems to me to open the way to a vast inflation of the currency . . . . I do not like to think that any law can be passed which will make it possible to submerge the gold standard in a flood of irredeemable paper currency." (*Congressional Record*, June 10, 1932.) After the vote, Congressman Charles A. Lindbergh Sr., father of the famous aviator, told Congress:

*This act establishes the most gigantic trust on earth . . . . When the President signs this act the invisible government by the money power, proven to exist by the Money Trust investigation, will be legalized . . . .*

*This is the Aldrich Bill in disguise . . . .*

*The new law will create inflation whenever the trusts want inflation . . . .*

*From now on depressions will be scientifically created. (Congressional Record, December 22, 1913.)*

The Federal Reserve Act was, and still is, hailed as a victory of "democracy" over the "money trust." Nothing could be further from the truth. In subsequent years such Wall Street operators as Glass, Laughlin, Willis, and Warburg all claimed authorship of the Act. Glass, Laughlin, and Willis were all involved in writing the actual text, but virtually everything in the Bill was within the boundaries of Warburg's Aldrich Bill. The original impetus came from, and was sustained by, the *Insiders* who were "seeking to offset, through political means, the diffusion and decentralization within banking." (Kolko,

Page 253.) Assessing the differences between the Aldrich and Glass versions, Professor Kolko states:

*In major areas the differences between the two plans were of degree rather than kind, and, if anything, the new Act provided for substantially greater centralization. The crucial question is whether the intended functions of the two plans were identical, from the bankers' viewpoint. To what extent did the Federal Reserve Act serve the interests of the big bankers irrespective of its differences from the Aldrich Bill? (Page 247.)*

Much controversy has taken place over just who owns the Federal Reserve System. We are told the stock is owned by all the national banks, which receive a dividend of six percent each year. The balance of the Federal Reserve's profits are said to be turned back to the Treasury. Because the Federal Reserve Act was modelled after the European central banks which were privately owned profit-making institutions, many have speculated that our system has secret Class A stockholders. Indeed, the original act stated under Title 12, Section 283: "No individual, copartnership, or corporation other than a member bank of its district shall be permitted to subscribe for or to hold at any time more than \$25,000 par value of stock in any Federal Reserve Bank." This stock was not subject to the six percent dividend limit as were the member banks.

The truth is that the Federal Reserve has since it was founded in 1913 successfully resisted every attempt at an audit. As a result, we just can't tell whether there are

individual owners or if vast private profits are being drained from the System. It seems unlikely that the *Insiders* would risk exposure that they owned the Federal Reserve when the really important feature is their control over the System, by which they manipulate interest rates and the money supply. Control is the important factor. After all, even after the *Insiders* surrendered technical ownership of English and European central banks, they retained control. Enormous profits are made by manipulating the stock and money markets through control of, and prior knowledge of, shifts in monetary policy by the Federal Reserve.

Observers have also carried on endless arguments over whether "the Fed" is (or should be) controlled by a few *Insiders* or Socialist bureaucrats. These are false alternatives. While technically the President appoints the seven members of the Federal Reserve Board for fourteen-year terms, these appointments have been almost universally congenial to both the international bankers and the Socialists. In theory the Federal Reserve is just another government bureaucracy, but Presidents have to be elected and it is very difficult to get elected over the opposition of the international bankers who control vast sums of money and pull the financial wires which control the mass media. The power of the New York banking lobby to make or break almost any politician is simply enormous.

The original Federal Reserve Board was largely handpicked by Colonel House and included Paul Warburg.\* As was to be expected, the real power of the Federal Reserve was, and is, in New York where the money and government bond markets are. Lundberg informs us:

*In practice the Federal Reserve Bank of New York became the fountainhead of the system of twelve regional banks, for New York was the money market of the nation. The other eleven banks were so many expensive mauso-*

\*George S. Viereck, *The Strangest Friendship In History*, Liveright, New York, 1932, Page 37. Warburg resigned during World War I, when it was brought out that his brother Max, a major financier of the Russian Revolution, was head of the German secret service. Both Warburg brothers represented "their" respective countries at the Versailles Peace Conference.

leums erected to salve the local pride and quell the Jacksonian fears of the hinterland. Benjamin Strong, one of the original duckhunters . . . [and] president of the [Morgan] Bankers Trust Company, was selected as the first Governor of the New York Reserve Bank. An adept in high finance, Strong for many years manipulated the country's monetary system at the discretion of directors representing the leading New York banks. Under Strong the Reserve System, unsuspected by the nation, was brought into interlocking relations with the Bank of England and the Bank of France . . . (Page 122.)

Strong was well aware of the coup the *Insiders* had pulled and bragged in 1919 that the bankers of New York had ended anti-Wall Street sentiment by insulating themselves behind a bureaucratic curtain.\* New York was in control. Concerning this domination of the system, Professor Kolko says:

*Until passage of the Federal Reserve Act the relative power of New York in national banking was declining, but from 1914 to 1935 it dominated American banking as it had only in the 1890's. And throughout this period Strong became at least as powerful as Morgan had been in his best years . . .*

*The Federal Reserve Act coordinated, if not centralized the banking resources of the nation to an unparalleled degree. The continual and routine decisions of New York banking, because of this situation, affected the entire banking system in a much more important fashion than ever before. (Pp. 251-252.)*

\* Benjamin Strong, *Interpretations Of Federal Reserve Policy*, New York, 1930, Page 65.

† Kolko, Page 252.

The year 1913 had been the crucial one. The Federal Reserve Act, providing the central banking system called for in *The Communist Manifesto*, was passed so that the *Insiders* could force government debt and thereby gain control of the nation's economy. The progressive income-tax, also right out of *The Communist Manifesto*, was then passed so that the funds necessary to pay an enormous national debt could be raised. The Constitutional Amendment to allow the Marxist progressive income-tax was introduced by Morgan-Rockefeller henchman Nelson Aldrich at the same time the key *Insiders* were establishing tax-free foundations to avoid the consequences of the taxes they were preparing to heap on the rest of us.

In 1916 the New York Federal Reserve Bank began acting for the entire system on foreign operations. The New York bank was appointed banker for the government in its foreign transactions and has since 1915 served as agent in the government bond market.†

In the intervening years since the passage of the Federal Reserve Act, we have experienced recurring recessions, a disastrous depression, and unparalleled inflation — all catastrophies the System was supposed to prevent. Since Woodrow Wilson took his oath of office, the national debt has risen from \$1 billion to \$372 billion. The total amount of interest paid since then to the international bankers holding that debt is staggering, with interest having become the third largest item in the federal budget. Interest on the national debt is now almost \$20 billion every year, and climbing steeply as inflation pushes up the interest rate on government bonds. Meanwhile, our gold is mortgaged to European central banks, and our silver will have all been sold by the end of this year. With economic catastrophe breathing down our neck, only a blind disciple of the "accidental theory of history" could believe that all of this has occurred by coincidence. ■ ■



# FEDERAL RESERVE

## The Anti-Economics Of Boom And Bust

■ THE prototype for our Federal Reserve, and for central banking in all modern nations, was created in 1716 by one John Law. A Scotsman forced to spend most of his years on the Continent because of a conviction for murder in England, Law made his living as a professional gambler. That is, until he discovered the Bank of Amsterdam was operating a racket that beat working the tables at Monte Carlo.

The Bank of Amsterdam had begun as a warehouse for safe storage of gold belonging to merchants. A merchant would deposit his gold for safekeeping, and the banker would give him a warehouse receipt with which he could reclaim his gold just as you reclaim your car at a parking lot by presenting your claim check to the attendant. The banker made his money by charging a fee for providing safekeeping. Soon, however, merchants found it more convenient to exchange the warehouse receipts than to go to the bother of physically withdrawing and exchanging gold.

It was not long before the bankers observed that only about ten percent of their customers wanted liquid use of their stored gold at any one time. They decided to go into the loan business. But they did not loan out gold; rather, they printed receipts for gold and loaned these at interest — literally manufacturing money by deceit. The fraud depended on only a small percentage of customers wanting to redeem their certificates in gold at any one time.

After studying this system, the mountebank John Law developed a monetary theory quite similar to that

propounded over two centuries later by John Maynard Keynes, the English dandy. Political economist John T. Flynn wrote of Law's plan in *Men Of Wealth* (Simon and Schuster, New York, 1941). He explained:

*This theory was that the economic system of that day was being starved because of insufficient supplies of money. And, using the Bank of Amsterdam as a model, he had a scheme for producing all the money a nation needed. (Page 51.)*

For nearly two decades John Law tried unsuccessfully to sell his scheme to the various governments of Europe. Then he found his pigeon. Louis XIV had spent France into bankruptcy; desperate, Louis XV welcomed Law's plan and gave him full rein. In order to provide this fountain of financial youth, Law established the Banque Generale with himself as the chief stockholder. Soon it became the Royal Bank, with a monopoly on issuing money. John Law had become the financial dictator of France.

The issuance of bales of paper money triggered a boom in the economy. Like all booms created by inflation (an increase in the supply of money) rather than production, it was a fraud. But, fraud or not, booms are a heady champagne. As the printing presses began to run, Law was the hero of the hour. Flynn says:

*It is not to be wondered that for a few brief months Paris hailed the magician who had produced all these rabbits from his hat. Crowds*

*followed his carriage. People struggled to get a glimpse of him. The nobles of France hung about his anteroom, begging a word from him. (Page 75.)*

The basis of John Law's "new economics" was the accumulation of all gold and silver in the hands of his Royal Bank. For a while it worked. "Economics for a modern age," it was said, had made silver and gold relics of a barbarous past. Then, quite suddenly, Frenchmen recovered their taste for silver and gold. Law's problem was now to stop speculative hoarding and check the flow of gold out of the country. This became ever more difficult as the little inflation (which had been considered by the "new economists" of that day to be such a healthy sign) began to become a big inflation.\*

Law did what every such financial dictator since his day has done; he arranged to outlaw public ownership of gold. In the end, of course, it was to no avail. The French began demanding gold and the economy of France collapsed beneath the weight of worthless paper, debt, and devaluations. John Law fled the country in 1720, with the mobs which had once hailed him as a financial wizard calling for him to be hanged. Though he died nearly penniless, a victim of his own charlatanry, his legacy is all about us today. John Flynn observed in 1941:

*As a New Dealer he [Law] was not greatly different in one respect from the apostles of the mercantilist school — the Colberts, the Roosevelts, the Daladiers, the Hitlers and Mussolinis . . . who sought to create income and work by state-fostered public works and who labored to check the flow of gold away from their borders. He introduced something new, however, that the Hitlers, the Mussolinis, the Roosevelts, the Daladiers, and the Chamberlains have imitated — the creation of*

*funds for these purposes through the instrumentalities of the modern bank. Law is the precursor of the inflationist redeemers.*

While John Law's scheme was based on the eternally false premise that governments can create something from nothing, he was but a conniving opportunist, a mountebank and fraud. In his wake, however, genuinely sinister conspirators have adopted the essentials of his scheme, relying on the fact that the public can be made to believe it too complicated to be understood. According to Congressional Hearings, the Rothschild Brothers of London — pushing the National Banking Act of 1863 — wrote to a firm of New York bankers on June 25, 1863:

*The few who can understand the system [checkbook money and credits] will either be so interested in its profits, or so dependent on its favors, that there will be no opposition from that class, while on the other hand, the great body of people mentally incapable of comprehending the tremendous advantages that capital derives from the system, will bear its burdens without complaint, and perhaps without even suspecting that the system is inimical to their interests. †*

As we have noted in our earlier discussion of this matter, central banking has

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\*Inflation is by definition an increase in the money supply. If the supply of money rises faster than the increase in availability of goods and services, prices rise. The economy is like a giant auction, and if the buyers at the auction are suddenly given more money, they will bid up the price of the goods being auctioned. Inflation, as commonly defined, is a rise in prices. The price rise is not the cause of inflation, but its effect.

†National Economy And The Banking System Of The United States, Document Number 23, 76th Congress, 1st Session, U.S. Government Printing Office, Washington, 1939.

been promoted both by international financiers and international socialists. These may seem like strange bedfellows, but they have worked closely together for over 150 years. Both groups desire that power reside in the executive of a socialist State, which each plans to control.

Central Banking, of course, was literally a case of life or death with the goldsmiths who as warehousemen of gold eventually evolved into the major bankers of Europe. Loaning out ten times as many warehouse receipts as they had gold was enormously profitable, but it was also risky. If the word got out that there was not enough gold to cover outstanding receipts, a run on the bank developed. The first depositors to get to the warehouse emptied it, and the rest were left holding worthless receipts. Judge Lynch often presided over the ensuing hasty "trial," and many a money lender suffered an acute case of rope burn!

In order to avoid these circumstances, which choked off commerce, central banking systems after the fashion pioneered by John Law were established so that funds could be pumped from the central bank to any bank in trouble. This allowed the bankers to institutionalize their subterfuge. The risks were diminished while the bankers continued "creating" money with pen and ink entries in their books, supported by the issuance of unbacked currency. The international bankers used their control over European central banks (a license to create money with pen and ink) to finance acquisition and capitalization of vast industries and natural resources around the world.

For their part, the international socialists saw the central bank as a method to establish Communism by using it to create and enforce an economic dictatorship. We have already noted that Karl Marx, who was hired to write *The Communist Manifesto* by a group calling itself "The League of Just Men" (which, one recalls, included international financiers), enumerated ten prerequisites to a success-

ful revolution pursuant to a socialist State. Point Five reads: "Centralization of credit in the hands of the State, by means of a national bank with State capital and an exclusive monopoly." And it cannot be over-emphasized that Lenin concluded the establishment of a central bank meant a Communist revolution was a good *ninety percent* toward success.

Our own central bank, the Federal Reserve System, was as we know created in 1913. The man most responsible for its creation was Paul Warburg, the scion of a powerful international banking family in Europe with close ties to international Communism. We earlier provided a detailed report on Warburg's role in establishing the Federal Reserve System, and in promoting the Communist Revolution in Russia. To recap: Warburg had come to America from Germany in 1902 and became a citizen in 1911. After playing the key role in creation of the Federal Reserve, modeling it after the privately owned European central banks with which he was so familiar, Mr. Warburg relinquished a \$500,000 a year job with the international banking firm of Kuhn, Loeb and Company to accept appointment as the first Governor of the Board of Directors of the Federal Reserve Board at a salary of \$12,000 per year.

We are asked to believe that Warburg was a *very* public-spirited citizen.

The appointment of Paul Warburg to the Federal Reserve Board should have exposed as a hoax the idea, still pushed in American classrooms, that the creation of the Federal Reserve was a great triumph of democracy, having stripped the Wall Street barons of their power. The fact is that the entire "monetary reform movement" was instigated and financed by the very international monopolists it was supposed to be bringing to heel. As Professor Gabriel Kolko writes in his monumental work, *The Triumph Of Conservatism*, "the banking reform movement was initiated and sustained by big bankers seeking to offset, through political means, the diffusion



and decentralization within banking.” \*

Paul Warburg's appointment to the Board was considered by many Senators as the modern equivalent of putting Teddy Kennedy in charge of a harem. Warburg refused to submit to public Hearings where he could be questioned about his European connections, and finally got by with a closed conference with a Senate Subcommittee, the minutes of which were never published. Nonetheless, despite his radical commitment and incredible conflict of interest, Paul Warburg's appointment was approved.†

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\*Gabriel Kolko, *The Triumph Of Conservatism*, Quadrangle Books, Chicago, 1967, Page 253.

†We will not review the proofs supporting the fact that the appointment of Warburg, as well as most of the other members of the original Board, was arranged by the mysterious Edward Mandell House, an agent of the international financial clique who was referred to by President Woodrow Wilson as “my alter ego.” See George S. Viereck, *The Strangest Friendship In History*, Liveright, New York, 1932, Page 47.

‡Warburg was replaced on the Board by another “proletarian,” Albert Strauss, partner in the international banking firm of J. & W. Seligman.

§ See *Papers Relating To The Foreign Relations Of The United States-Russia, 1918*, House of Representatives Document No. 1868, U.S. Government Printing Office, Washington, 1931, Volume I, Pp. 374-376.

¶ Incredible as it seems, a document introduced at the Nuremberg War Crimes Trials showed Max Warburg was later involved in the financing of Adolf Hitler. (See Stephen Birmingham, *Our Crowd*, Pp. 428-430.) Paul Warburg recovered from his pay-cut while with the Federal Reserve to become instrumental in Western Union, Westinghouse, Wells Fargo, Union Pacific, Baltimore & Ohio, American I.G. Chemical Co. (I.G. Farben), Afga-Ansco Corporation, National Railways of Mexico, International Acceptance Bank, Westinghouse Acceptance, Warburg Company of Amsterdam, and many other vast corporations. Yet the financier Warburg had no fear of socialism. He told the Commercial Club of Chicago in April 1917: “In the state of the future, particularly in Europe after the war, the most efficient Government promotion of industries in many lines will be held to exist in actual Government ownership and operation.” (B.C. Forbes, *Men Who Are Making America*, Page 404.)

By May of 1918, in the midst of World War I, it was made public that Warburg's brother Max, the head of the family banking firm of M.M. Warburg and Company of Hamburg, was not only in charge of Germany's finances but was a leader of the German espionage system. Paul Warburg resigned his post with the Federal Reserve Board without a peep of protest, and civic-minded Kuhn, Loeb and Company welcomed him back at his former salary.‡

One Warburg was running America's financing of the War, and another Germany's. Max Warburg was also responsible for transporting Lenin and his crew of cut-throats from Switzerland across Germany (in the famous sealed train) to instigate the Communist Revolution in Russia. And Max provided financing for Lenin and Trotsky through the Nye Banken in Sweden.§ And, while brother Max was financing the Communist Revolution from Germany, Jacob Schiff — Paul Warburg's partner in Kuhn, Loeb and Company and the father-in-law of his brother, Felix — was financing the Russian Reds from New York to the tune of \$20 million. Both Paul and Max Warburg attended the Versailles Peace Conference as representatives of “their” respective governments.¶

World War I was a catastrophe of such magnitude that, even today, a healthy imagination has difficulty grasping it. The War changed the historical foreign policy of this nation, established the Bolsheviks in Russia, destroyed the old balances of power in Europe, and set the stage for World War II. International bankers in New York and London maneuvered America into entering that fray. Thanks to the War, to the progressive income-tax and the Federal Reserve Act — both passed in 1913, and both contained in the Ten Points of *The Communist Manifesto* — Woodrow Wilson was able to spend nearly twice as much in eight years as all the American Presidents before him had spent in 125 years. (See *U.S. News &*

*World Report*, February 16, 1970.) Cordell Hull, one of the original backers of both the income tax and Federal Reserve, remarked in his *Memoirs*:

*The conflict forced the further development of the income-tax principle. Aiming, as it did, at the one great untaxed source of revenue, the income-tax law had been enacted in the nick of time to meet the demands of war. And the conflict also assisted the putting into effect of the Federal Reserve System, likewise in the nick of time.*

In *The Market Place*, Alexander Noyes observes:

*Exactly how our own participation in the war would have been financed, without this statute and without the constitutional amendment, ratified in 1913 and authorizing a practicable federal income tax, will always remain a matter of conjecture.*

Oh, how convenient, and (as Hull said) just in the nick of time. Had we stayed out of that war, it would have ended in the same stalemate as most other European wars, the Communists would never have seized Russia, and there would have been no World War II.

During the War to end all wars, an international banker named Bernard Baruch was made the absolute dictator over American business when President Wilson appointed him Chairman of the

War Industries Board, where he had control of all domestic contracts for Allied war materials. Baruch made lots of friends while placing tens of billions in government contracts, and it was widely rumored in Wall Street that out of the War to make the world safe for international bankers he netted \$200 million for himself.\*

While international banker Paul Warburg controlled the Federal Reserve, and international banker Bernard Baruch placed government contracts, international banker Eugene Meyer, a former partner of Baruch and the son of a partner in the Rothschilds' international banking house of Lazard Freres, was Wilson's choice to head the War Finance Corporation, where he too made a little money. According to Congressman Louis McFadden, then Chairman of the House Banking Committee:

*I call your attention to House Report No. 1635, 68th Congress, 2nd Session, which reveals that at least twenty-four million dollars in bonds were duplicated. Ten billion dollars worth of bonds were surreptitiously destroyed. Our committee on Banking and Currency found the records of the War Finance Corporation under Eugene Meyer, Jr. extremely faulty. While the books were being brought before our committee by the people who were custodians of them and taken back to the Treasury at night, the committee discovered that alterations were being made in the permanent records.*

Even so shady a background did not prevent Eugene Meyer from being appointed to the Federal Reserve Board, nor from being named Chairman of the Reconstruction Finance Corporation.† Such cases alas, are no rarity.

When the Federal Reserve Act was passed it was touted as a guarantee of

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\*Curtis Dall, *F.D.R., My Exploited Father-in-Law*, Christian Crusade Publications, Tulsa, 1968, Page 71.

†The Meyer family now controls the ultra-Leftist *Washington Post* and *Newsweek* magazine — yet another curious tie between international banking and the Left. Jacob Schiff's granddaughter Dorothy owns the *New York Post*, which contends with the *Washington Post* for the epithet of "uptown *Daily Worker*."

forever ending inflation and deflation, boom and bust. The Act was also supposed to emancipate small businessmen and farmers from manipulation by the international bankers of Wall Street. Yet, in 1920 the Federal Reserve Board engaged in a conspiracy to create a depression. So successful was it that commodity prices fell fifty percent, and industrial production thirty-two percent. During the War, farmers had been encouraged by the government to borrow heavily and expand their production. And, thanks to this contrived depression, the farmer who had borrowed the equivalent of two thousand bushels of wheat had to pay back to the banker the equivalent of four thousand bushels plus interest. Thousands of farms were foreclosed in 1920-1921. Called before the Senate Silver Hearings in 1939, Senator Robert L. Owen, Chairman of the Senate Banking and Currency Committee and repentant co-author of the Federal Reserve Act, testified concerning the conspiracy which created the "Panic of 1921":

*In the early part of 1920, the farmers were exceedingly prosperous. They were paying off their mortgages and buying a lot of new land, at the insistence of the Government — had borrowed money to do it — and then they were bankrupted by a sudden contraction of credit and currency which took place in 1920.*

*What took place in 1920 was just the reverse of what should have been taking place. Instead of liquidating the excess of credits created by the war through a period of years, the Federal Reserve Board met in a meeting which was not disclosed to the public. They met on the 18th of May, 1920, and it was a secret meeting. . . . Only the big bankers were there, and their work of that day resulted in a contraction of*

*credit [by ordering banks to call-in outstanding loans] which had the effect the next year of reducing the national income fifteen billion dollars, throwing millions of people out of employment, and reducing the value of lands and ranches by twenty billion dollars.*

Writing of the panic of 1921 in his book, *The Economic Pinch*, the late Congressman Charles A. Lindbergh noted:

*Under the Federal Reserve Act panics are scientifically created; the present panic is the first scientifically created one, worked out as we figure a mathematical problem. (Page 95.)*

This contrived policy of The Fed broke over 5,400 banks. Countless Americans lost their savings, homes, and businesses. Of course, one man's loss is another's gain. The giant banks picked up the assets of the broken ones — in many cases at five to seven cents on the dollar — and many of the larger bankrupt businesses were acquired by corporations owned or controlled by the same *Insiders*.

Using a central bank to create alternate periods of inflation and deflation, and thus whipsawing the public for vast profits, has been worked out by the international bankers to an exact science. A corollary is to drive countries deeply into debt during wartime, using paper money, and then to revert to hard money when the war is over. Thus their debt bonds, acquired with cheap money, are redeemed in gold.\*

After recovery set in from the Panic of 1921, the Federal Reserve began laying the inflationary groundwork for what became the greatest whipsaw operation of

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\*Carroll Quigley, *Tragedy And Hope*, The Macmillan Company, New York, 1966, Page 316.



all time — the “Crash of 1929.” In *America’s 60 Families*, Ferdinand Lundberg reveals:

[D.R.] Crissinger [Comptroller of the Currency] came under the influence of Benjamin Strong, a Morgan deputy, who began counselling from the New York Reserve Bank that the Reserve system buy government securities in large volume thus flooding the banks with liquid funds that demanded profitable release in credit channels.

The Federal Reserve Act permitted this, but only as an emergency measure. There was no emergency in 1923 when the Federal Reserve System began buying “governments,” so the scheme was obviously predicated upon other considerations. For three years the Reserve System maintained this new policy, and the speculative boom was well started. Between 1924 and 1929 loans, which were enormously profitable to the big banks, increased by ten billion dollars, all of the increase being devoted to stock-market paper; there was little variation in the total of commercial and industrial loans. At the end of 1922, for example, loans to brokers stood at \$1,926,800,000; at the end of 1929 they totaled \$8,549,338,979.\*

At the same time that enormous amounts of credit money were being made available, the mass media began to ballyhoo tales of the instant riches to be made in the stock market. According to Lundberg:

\*Ferdinand Lundberg, *America’s 60 Families*, Vanguard Press, New York, 1938.

†Proctor W. Hansl, *Years Of Plunder*, Harrison Smith & Robert Haas, New York, 1935.

*For profits to be made on these funds the public had to be induced to speculate, and it was so induced by misleading newspaper accounts, many of them bought and paid for by the brokers that operated the pools....*

Was the inflationary build-up which exploded in the “Crash of 1929” a result of mere stupidity, or of careful planning by the *Insiders* who controlled the Federal Reserve and hence the engine of inflation? Many students of the era are convinced that the international bankers represented too many generations of accumulated expertise to have blundered into “the great depression.” Writing in *Years Of Plunder*, Proctor Hansl observed:

*Unquestionably the virus had affected us and it found eager devotees both in Washington and Wall Street, but in banking circles at least there is little room to believe that the process was wholly one of delusion. It is difficult to believe that the Morgans, Bakers, Schiffs and other financial leaders of long experience both in Wall Street and in the money markets of the world were ignorant of the consequences that were sure to follow such unbridled inflation as came to be forced upon the country during the Twenties and was maintained for seven long years without protest from the big banking interests....*

*From time immemorial every period of inflation has ended in panic and depression. Were the minds that ruled Wall Street so obtuse that they failed to recognize this fact? Were bankers so swept away by the new school of thought that they deliberately ignored the experience of centuries? It is to be doubted....†*

To which historian Ferdinand Lundberg adds:

*Various governmental investigating bodies have heard copious confessions to "mistakes" and "errors of judgment" from the executive representatives of the multi-millionaire dynasties. But there were really no mistakes or errors of judgment. Except for the culminating debacle of 1929-33, everything happened according to plan, was premeditated, arranged, sought for.*

Congressman Louis McFadden, the scholarly Chairman of the House Banking and Currency Committee, commented:

*It [the depression] was not accidental. It was a carefully contrived occurrence . . . The international bankers sought to bring about a condition of despair here so that they might emerge as the rulers of us all.*

Of course, the free enterprise system in general has been blamed for the "Crash of 1929," and this has been the excuse for much radical legislation, including the further centralization of control of our money in the Federal Reserve. Actually the Federal Reserve, whose proponents had guaranteed to make depressions as obsolete as ankle-length skirts, provided the tools to create the Crash. Had the *Insiders* not had a Federal Reserve by which they could control and manipulate inflation, the depression would not have occurred. As Professor Murray Rothbard, the nation's top expert on economic depression, notes:

*. . . Central banking works like a cozy compulsory bank cartel to expand the banks' liabilities; and the banks are now able to expand on a larger base of cash in the form*

*of central bank notes as well as gold.*

*So now we see, at last, that the business cycle is brought about, not by any mysterious failings of the free market economy, but quite the opposite; by systematic intervention by government in the market process. Government intervention brings about bank expansion and inflation, and when the inflation comes to an end, the subsequent depression-adjustment comes into play.\**

The House Hearings on Stabilization of the Purchasing Power of the Dollar disclosed evidence in 1928 that the Federal Reserve Board was working closely with the heads of European central banks. The Committee warned that a major Crash had been planned in 1927 at a secret luncheon of the Federal Reserve Board and heads of the European central banks. The international bankers were tightening the noose.

Montagu Norman, Governor of the Bank of England, came to Washington on February 6, 1929, to confer with Andrew Mellon, Secretary of the Treasury. On November 11, 1927, the *Wall Street Journal* described Mr. Norman as "the currency dictator of Europe." Professor Carroll Quigley notes that Norman, a close confidant of J.P. Morgan, admitted: "I hold the hegemony of the world." Immediately after this mysterious visit, the Federal Reserve Board reversed its easy-money policy and began raising the discount rate.† The balloon which had

\*Murray Rothbard, *Economic Depressions: Causes And Cures*, Constitutional Alliance, Incorporated, Box 836, Lansing, Michigan 48904. In this highly readable forty-cent booklet, Dr. Rothbard uses layman's language to provide a clear explanation of the economics of boom and bust.

†Since the stock market is an auction, if the money supply is deflated, the buyers have less money with which to bid for stocks and prices must fall.

been inflated constantly for nearly seven years was about to be exploded. The Federal Reserve Bank of New York raised its rate to six percent on August 9, 1929. The following month European investors began deserting the American stock market. Professor Quigley recounts:

*At this critical moment, on September 26, 1929, a minor financial panic in London (the Hatry Case) caused the Bank of England to raise its bank rate from 4½% to 6½%. This was enough. British funds began to leave Wall Street, and the overinflated market commenced to sag. (Page 344.)*

On October twenty-fourth, the feathers hit the fan. Writing in *The United States' Unresolved Monetary And Political Problems*, William Bryan describes what happened:

*When everything was ready, the New York financiers started calling 24 hour broker call loans. This meant that the stock brokers and the customers had to dump their stock on the market in order to pay the loans. This naturally collapsed the stock market and brought a banking collapse all over the country because the banks not owned by the oligarchy were heavily involved in broker call loans at this time, and bank runs soon exhausted their coin and currency and they had to close. The Federal Reserve System would not come to their aid, although they were instructed under the law to maintain an elastic currency.*

The investing public, including the vast majority of stock brokers and bankers, took a horrendous blow in the Crash, but not the *Insiders*. They were either out of

the market or had sold "short" so that they made enormous profits as the Dow Jones plummeted. For those who knew the score, a comment by Paul Warburg had provided the warning to sell. That signal came on March 9, 1929, when the *Financial Chronicle* quoted Warburg as giving this sound advice:

*If orgies of unrestricted speculation are permitted to spread too far . . . the ultimate collapse is certain . . . to bring about a general depression involving the whole country.\**

*Insiders* like Bernard Baruch escaped unscathed. "By 1928," he says in his memoirs, "I had begun to liquidate my stock holding and to put my money into bonds and into a cash reserve . . . I also bought gold . . . [In September, 1929] I began to sell everything I could, in anticipation of the break I now felt to be imminent." Some financiers unloaded their portfolios based on the economic truism that a market highly inflated on artificial credit is bound to crash. Others got out because they knew the Big Boys were about to pull the plug.

Joseph P. Kennedy, who was to make millions in the early Thirties fronting for international bankers by selling "short" on huge quantities of stocks during any night that the market started to rally, was also out of the market in 1929. (See Dall, Page 119.) In the winter of 1928-1929, writes Richard J. Whalen in *The Founding Father*:

*Kennedy . . . thought long and hard about what was happening to the stock market [and] decided to get out . . . The profits he took from the sale of his . . . holdings were not reinvested, but kept in cash.*

We do not know the names of all the giants who escaped the Crash; such de-

\**American Heritage*, August, 1965, Page 90.



tailed information would obviously provide some strong (if not conclusive) clues as to who was on the "inside" and who was not. We do know that, among others, international bankers Henry Morgenthau and Douglas Dillon cashed out in the nick of time. (See Hansl, Page 252.) In the next decade there would be excellent opportunities for reinvestment as stocks fell ninety percent from their 1929 highs, and were kept down by the economic policies of Franklin D. Roosevelt which slowed the recovery that normally follows such a depression.\*

We have been told that the Federal Reserve was created to function as a common reservoir for the banks in times of emergency. In practice, when the emergency came, the tap was turned off and the banks were in a worse position than previously. At what seemed the height of the market panic the *New York Times* of October 30, 1929, carried the announcement: "Reserve Board Finds Action Unnecessary" — and the panic steepened. Economist William Bryan writes:

*If the Federal Reserve System had been maintaining an elastic currency, they could have stopped the runs on the banks immediately and only those people who had purchased over-priced stocks would have been hurt. The speculative banks could have been "bailed out" with little or no cost to the Fed., but of course this was not the plan.*

According to the House Banking Committee, "the Nation's total money supply decreased by about \$8 billion, or one-third, between 1929 and 1933.

\*For details see Hans Sennholz, "The Great Depression," *The Freeman*, October, 1969.

†A *Primer On Money*, Subcommittee on Domestic Finance, Committee on Banking and Currency, House of Representatives, 88th Congress, U.S. Government Printing Office, Washington, 1964, Page 83.

Such a reduction in the money supply could not help but magnify if not initiate any crash in prices and output — and it did."†

While money was scarce in America, the *Insiders* of the Federal Reserve were making it available to Russia, even though the Soviet Government had not yet been recognized by the United States. Congressman McFadden revealed:

*The Soviet government has been given United States Treasury funds by the Federal Reserve Board and the Federal Reserve Banks acting through the Chase Bank and the Guaranty Trust Company and other banks in New York City. England, no less than Germany, has drawn money from us through the Federal Reserve banks and has re-lent it at high rates of interest to the Soviet government or has used it to finance its sales to Soviet Russia and engineering works within the Russian boundaries. The Dnieperstroy Dam was built with funds unlawfully taken from the United States Treasury by the corrupt and dishonest Federal Reserve Board and the Federal Reserve banks. . . .*

*. . . Open up the books of Amtorg, the trading organization of the Soviet government in New York, and of Gostorg, the general office of the Soviet Trade Organization, and of the State Bank of the Union of Soviet Socialist Republics and you will be staggered to see how much American money has been taken from the United States' Treasury for the benefit of Russia. Find out what business has been transacted for the State Bank of Soviet Russia by its correspondent, the Chase Bank of New York; . . . the Guaranty Trust of New York, the Central Hanover Bank of New York, the Chemical Bank and Trust Co., H. Clews & Co., Kidder*

*Peabody and Co., Winslow Lenair and Co., and Lee Higginson and Co. . . .\**

McFadden not only chaired the House Banking and Currency Committee for twelve years, but he had been president of the Pennsylvania Bankers' Association and was elected to office on both the Republican and Democrat tickets. He knew banking and the international bankers. And, he was not fooled by the propaganda about President Roosevelt being a great proletarian. McFadden told Congress on January 24, 1934:

*All . . . the artful propaganda that has been thrown around the monetary policy of Franklin D. Roosevelt cannot disguise the fact that he was selected by the international bankers to carry out the work they started with the great depression; that is the pauperization of the masses and the seizure of American property for their own use and benefit, and that he has lent himself to their schemes by unconstitutionally demanding and assuming the dictatorial powers which enable him to carry them out.*

While F.D.R. went through the motions of being a champion of the downtrodden masses, his fiscal and monetary policies served the purposes of the *Insiders* of international finance. As McFadden noted on May 4, 1933:

*The week before the bank holiday was declared in New York*

*State the deposits in New York savings banks were greater than the withdrawals. There were no runs on New York banks. There was no need for a bank holiday in New York or a national holiday. Roosevelt did what the international bankers ordered him to do.*

A number of competitive banks were destroyed by this move. That was part of the game. When Paul Warburg was designing the Federal Reserve he made it clear he hoped that it would eliminate the small banks. (Kolko, Page 186.)

As President Roosevelt took to the airwaves to denounce the "malefactors of great wealth" he was making hundreds of millions for those same malefactors. For example, Bernard Baruch had mentioned to F.D.R.'s son-in-law that he (Baruch) owned enormous amounts of the world's silver. One of Roosevelt's first actions in office was to double the government's price for silver — "to help out western miners." (Dall, Page 74.) The President even arranged to have these "malefactors" run the U.S. Treasury for him. Vice President John Nance Garner complained bitterly:

*There is a condition in the U.S. Treasury which would cause American citizens, if they knew what it was, to lose all confidence in their government: That is a condition that Roosevelt will not have investigated. He has brought with him from Wall Street, James P. Warburg, the son of Paul M. Warburg, the Organizer and first Chairman of the Board of the Federal Reserve System . . . .*

*He holds no office in our Government, but I am told that he is in daily attendance at the Treasury and that he has private quarters there! In other words, Mr. Chairman, Kuhn, Loeb & Co. now control and occupy the Treasury.*

\*Congressman McFadden's speech can be found in the *Congressional Record*, June 15, 1933. In 1967, the Rockefellers' International Basic Economy Corporation merged with Cyrus Eaton's Tower International to take over the purchasing of patents in the United States for the Soviet's Amtorg. See *New York Times*, January 15, 1967.

Warburg doubtless helped lay the groundwork for "the gold swindle." Like John Law, President Roosevelt called in gold from the American public ("to stabilize the currency") and promised it would be returned when the emergency was over. As soon as the people's gold had been collected, F.D.R. made it unlawful for Americans to own gold. But *Insiders* had already shipped more than \$400 million worth of gold overseas to be held in the names of foreign relatives, partners, or in Swiss accounts. After the citizenry had surrendered its gold at twenty dollars an ounce, the price was gradually raised by F.D.R. to \$35 an ounce — allowing the *Insiders* to sell their hoards of gold back to the government at an enormous profit.\*

Although we have not had another depression of the magnitude of that which followed 1929, we have since suffered regular recessions. Each of these has followed a period in which the Federal Reserve tromped down hard on the money accelerator and then slammed on the brakes. Since 1929 the following recessions have been created by such manipulation:

*1936-1937 — Stock prices fell fifty percent; 1948 — Stock prices dropped sixteen percent; 1953 — Stock declined thirteen percent; 1956-1957 — The market dipped thirteen percent; 1957 — Late in the year the market plunged nineteen percent; 1960 — The market was off seventeen percent; 1966 — Stock prices plummeted twenty-five percent; 1970 — Currently the market is down over twenty-five percent.*

Is this constant whipsawing of the economy the fault of the bank manipulators or of the free-spending politicians? The man in the best position to know is Congressman Wright Patman, for many years Chairman of the House Banking and

Currency Committee. Chairman Patman noted in his newsletter of June 6, 1966:

*Since the Federal Reserve System was established . . . the big bankers have maneuvered to gain more and more control of all monetary policy and to move the Federal Reserve completely out from under the government . . . they have enough control to absolutely carry out the policies of the bankers . . .*

The House Banking Committee's *A Primer On Money* explains:

*Congress has delegated this power [the creation of money] in part to the Federal Reserve System and in part to private commercial banks. Furthermore, it has delegated to the Federal Reserve System the power to determine how much money shall be created [out of thin air] . . . Although a creature of Congress, the Federal Reserve is in practice, independent of that body in its policymaking. The same holds true with respect to the executive branch. The Federal Reserve neither requires nor seeks the approval of any branch of Government for its policies. The System itself decides what ends its policies are aimed at and then takes whatever actions it sees fit to reach those ends. (Pp. 21-22.)*

It is true that the President appoints the seven members of the Federal Reserve's Board of Governors, one every two years. But, as the *Primer* notes:

\*Congressman McFadden charged, correctly, that the seizure of gold was an operation run for the benefit of the international bankers. He was powerful enough to ruin the whole deal, and was preparing to break the full story when he collapsed at a banquet and died. As two assassination attempts had already been made against him, many suspected poisoning.



*The 14-year term of the Board of Governors makes the board only slightly accountable to any single President . . . (Under ordinary circumstances, a President can appoint four of the seven-man board by the end of his sixth year.)*

Most students of money doubt that the President can make these appointments independently. It is nearly impossible for a man to become President over the strong opposition of the *Insiders* of the banking clique. In 1952, for instance, Robert Taft found that a number of his delegates were threatened with having business loans called by local banks which were being pressured by financial powers in New York. The super-rich international bankers in New York finance Presidential candidates from both Parties, and their financial control of the mass media insures vigorous attacks on such independent candidates as Taft, Goldwater, or Wallace. Those candidates subject to their influence are promoted.\* Well aware of this, Presidents appoint men to the Board of Governors of the Federal Reserve who are congenial to the international bankers.

Professor Carroll Quigley makes it abundantly clear that, even in Europe, those who have run the central banks are not powers themselves, but pawns of the banking clique that put them there. (Quigley, Page 326.) Since the international bankers created the Federal Reserve for their own purposes, it is naïve to believe that they would not build into it means by which they could always maintain control.

It must be admitted, however, that there is much we do not know, and cannot know, about the Federal Reserve. We can learn nothing of the private meetings which take place between the banking *Insiders* and the President, Secretary of the Treasury, and members of the Federal Reserve Board (or of its key Open Market Committee). The minutes of meetings of the Open Market Commit-

tee are kept secret, even from the President, for six years. Of course prior knowledge of changes in monetary policy could mean millions of dollars in profits. Yet, according to Congressman Patman, about three thousand persons, including international bankers connected with the Federal Reserve, are privy to this prior knowledge. We are asked not to suspicion that any of these people make use of such advance information.

Another reason why there is much we cannot know about the Federal Reserve is that although it is fifty-six years old, it has yet to be audited. In 1967, Wright Patman tried unsuccessfully to attach a rider, to another bill, requiring an audit of "The Fed" by the Government Accounting Office. The headline in the *New York Times* of September 14, 1967, tells the story: "Federal Reserve May Face Audit: Threat To Independence Seen." In 1957, the Senate Finance Investigating Committee began looking into the Federal Reserve, but the inquiry was cancelled before its completion and two of the members of that Committee, William

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\*Note that Richard Nixon began his political career in 1946, by defeating incumbent Congressman Jerry Voorhis. Voorhis was an ultra-"Liberal," but unlike other ultra-"Liberals" he had challenged both the international bankers and the Federal Reserve. Congressman Voorhis introduced bills in Congress calling for the repeal of the Federal Reserve Act, and had written a book titled *Out Of Debt - Out Of Danger* which advocated paying off the national debt, both anathema to the international bankers. Voorhis had to go. It is reported that giant New York bankers poured huge amounts of money into Nixon's campaign, providing a high-powered Madison Avenue advertising agency (Batten, Barton, Durstine and Osborn) to run his Congressional campaign in California.

After his defeat for the Governorship of California in 1962, Richard Nixon moved to New York, took a \$100,000-a-year apartment in a Rockefeller apartment building, went to work for the law firm of Nelson Rockefeller's personal attorney, John Mitchell (see the *Wall Street Journal*, January 17, 1969), and was made a wealthy man. In becoming President, Mr. Nixon incurred many political debts to the *Insiders* of international banking.

Jenner and George Malone, announced they would be unable to seek reelection. Many have questioned why the Federal Reserve so fears audits and investigations if it has nothing to hide.

The main power of the Federal Reserve, of course, does not lie with the Board. *A Primer On Money* says "the board is not the crucial policymaking body. The Open Market Committee is." The Open Market Committee, says this government document, "determines in general the amount of Government securities the Federal Reserve shall buy and sell in the open market, primarily to determine the level of reserves. In essence, the Committee determines U.S. monetary policy."

In other words, "the central decision making body, which decides whether the System will press the accelerator or the brake [*fabricating boom or bust*], is the Federal Open Market Committee." This Committee is made up of twelve voting members. They include the seven members of the Board of Governors, who are appointed by the President. While the presidents of each of the Federal Reserve banks are members of the Committee (as far as the secret discussions are concerned), only five are voting members. The president of the New York Federal Reserve Bank is *always* one of the five permitted to vote. The conflict of interest here is absolutely fantastic.

At stake with the decisions of this Committee are not only inflation or deflation, the mood of the stock market and interest rates — that is, the economy of the nation — but billions of dollars a year in interest which are paid to the international bankers who hold the government debt. In 1968, \$608 billions in government bonds were traded through the O.M.C. The majority of these bonds go to the giant banks in New York. As *A Primer On Money* puts it:

*It may appear that the Secretary of the Treasury is issuing these new*

*securities to the general public, but, in fact, he must sell the bulk of any particular issue to a relatively small group of buyers — a few big banks and financial houses. Therefore, he calls on advisory committees of representatives of these banks or financial houses for advice about setting the interest rate on any new security he anticipates issuing.*

This is where conflict often arises between the politicians and the international bankers. Both the politicians and the giant bankers like to see unbalanced Budgets, which must be financed by loans (bonds) from the banks. The politicians avoid raising taxes and use debt money to buy votes, and the banks collect the interest. Yet, the politicians want low interest rates on the bonds, and the *Insiders* who own the great private banks want high interest rates.

Guess who wins? The cost of government borrowing has gone up more than thirteen times since World War II. The Treasury is now paying 8.25 percent on some government securities, the highest since 1859. Since 1930, the government has paid out nearly \$230 billion in interest on the national debt. Interest on the national debt has climbed from \$9 billion in 1961, to \$18 billion in 1970. While the debt was rising 24 percent, the cost of carrying it rose 100 percent. And the national debt (bonds held primarily by bankers) continues to climb.

President Nixon, while hypocritically proclaiming a balanced Budget, has had to ask to raise the limit on the national debt. The total borrowing required for the "balanced" Budgets of 1969, 1970, 1971, will be (according to Congressman George Mahon) some \$19.9 billion, including a \$7.3 billion deficit in President Nixon's "bare bones" \$200.8 billion Budget.

The claims for the three "balanced" Budgets are based upon the fact that the Budget contains an administrative section

plus the trust funds (Social Security, *etc.*). The trust funds show a surplus, but those monies cannot be spent in the administrative budget so the government is forced to borrow large sums while technically showing a Budget that is balanced. It is no wonder that the cost of living rose 6.1 percent last year and shows no signs of stopping.

The irony is that the giant private banks acquire the bonds (national debt) through John Law's system of creating money out of simple bookkeeping entries. *A Primer On Money* explains:

*However, it has long been one of the political facts of life that private banks must be allowed to create the lion's share of the money, if not all of the money. Thus there is little opposition to the Government's printing bonds and then permitting the banks to create the money with which to buy those bonds . . .*

The bonds are then used by the banks as the basis of printing currency. In other words, under this monetary system, if we had no debt we would have no currency.

Every dollar "Federal Reserve Note" you are carrying in your wallet is costing you a nickel a year in interest on the bonds that back it. This has got to be the weirdest money system ever designed, but it is great for the banking *Insiders*. They denounce as "funny money" any suggestion that the government print its own currency without going in debt, as Lin-

coln did with his "Greenbacks." The point is well made as long as the government backs its money with gold or silver; but, it is no more "funny money" than the debt-backed currency now being issued. Printing-press "Greenbacks" are no more inflationary than an unbacked "Federal Reserve Note," and by issuing them the nation could save billions of dollars per year in interest to the *Insiders* of international banking.

Still, the argument over whether the socialist bureaucrat or the radical international bankers should have a monopoly on printing funny money is one of false alternatives. The only thing that will stop politicians and the *Insiders* of international banking from taking control of this country by destroying its economy with inflation and bust is to have a currency that is backed by tangible wealth — gold and silver. But the international bankers have claims on all of our gold (through dollars held by banks overseas), and the Johnson and Nixon Administrations have been feverishly melting all of our silver coins to sell the bullion to users and, apparently, to the international bankers. Soon these bankers will have a corner on gold and silver with which they can buy up industry and natural resources following a depression caused by inflation *à la* 1929. It is the same old swindle that has been played successfully over and over again.

A first step in getting out of bondage to these conspirators is for a sufficient number of Americans to understand the problem. That is where *you* come in. ■ ■

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