

Letter from Manhattan

by

William Franklin



a cesc dispatch

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On 13th December 1932 Congressman McFadden, Chairman of the *House Banking and Currency Committee*,² introduced a resolution of impeachment against President Hoover for high crimes and misdemeanours, which included violation of contracts, unlawful dissipation of the financial resources of the United States, and his appointment of Eugene Meyer to the *Federal Reserve Board*.



The resolution was tabled and never acted upon by the *US House of Representatives*. In criticizing Hoover's *Moratorium of German War Debts*, McFadden³ referred to 'Hoover's German Backers'.

Although the principals originated in Germany...most of them in Frankfurt...at the time they sponsored Hoover's candidacy for the Presidency they were operating from London, as Hoover had done for most of his career.

(Photo left: Old Frankfurt)

The *Hoover Moratorium* was not intended to help Germany but to ensure that Germany would have funds for re-arming. In 1931, diplomats were already anticipating the Second World War...which would require an 'aggressor'. (Photo right: New Frankfurt)

Hoover had carried out a number of mining promotions in various parts of the world as an agent for Rothschild money...and was rewarded with a directorship in Rothschild's *Rio Tinto Mines* in Spain and Bolivia.

One of Hoover's business partners was Emil Franqui,⁴ director of the *Belgium Bank Société Générale*. Hoover and Franqui took on the task of provisioning Germany in *World War One*. On 13th March 1915 *Nordeutsche Allgemeine Zeitung* noted that large quantities of food were arriving from Belgium by rail. *Schmoller's 1916 Yearbook for Administration & Political Economy* shows that in 1916 a billion pounds of meat, a billion and a half pounds of potatoes, a billion and a half pounds of bread, and 121 million pounds of butter were shipped from Belgium to Germany.



¹ The text draws on the research of Eustace Mullins for the 1991 edition of *The Secrets of the Federal Reserve* (ISBN 978-0-9799176-5-3)...an updated version of *Mullins on the Federal Reserve*, commissioned in 1948 by Ezra Pound while a political prisoner of the US Government at St. Elisabeth's Hospital in Washington DC...a federal institution for the insane...and published by John Kasper and David Horton in a small edition in 1952...see [The Federal Reserve Story](#) by William Franklin.

² Louis T. McFadden is included in *Twenty Biographies* in [Letter from Jekyll Island](#) by William Shepherd.

³ On 31st December 1931 McFadden informed the house of a dispatch in the *Philadelphia Public Ledger* of 24th October 1931 'German Reveals Hoover's Secret. The American President was in intimate negotiations with the German government regarding a year's debt holiday as early as December 1930'. McFadden continued, 'Behind the Hoover announcement there were many months of hurried and furtive preparations both in Germany and in the *Wall Street* offices of German bankers. Germany, like a sponge, had to be saturated with American money. Mr Hoover himself had to be elected because this scheme had begun before he became President. If the German international bankers of *Wall Street*...that is *Kuhn Loeb Company*, *J & W Seligman*, *Paul Warburg*, *J. Henry Schroder* and their satellites...had not had this job waiting to be done, Hoover would never have been elected President of the United States. The election of Hoover to the Presidency was through the influence of the *Warburg Brothers*, directors of the great bank of *Kuhn Loeb Company*, who carried the cost of his election. In exchange for his collaboration, Hoover promised to impose the moratorium on German debt payments.' Ivar Kreuger's \$125 million German loan was to be exempted from the moratorium, despite Hoover's awareness of Kreuger's precarious situation in January 1931 when Ivar Kreuger visited him at the *White House*...see *The Match King* by Frank Partnoy (2009).

⁴ When Franqui died on 13th November 1935 *The New York Times* memorialized him as 'the copper king of the Congo...Mr Franqui last year having gained dictatorial powers over the belga, maintained it on the gold standard during a crisis. In 1891 he led an expedition into the Congo and gained it for King Leopold. A man of great wealth, rated among the twelve richest men in Europe, he secured enormous copper deposits. He was *Minister of State* in 1926 and *Minister of Finance* in 1934. It was his pride that he never accepted a centime of remuneration for his services to the government. While consul general at Shanghai he secured valuable concessions, notably the Kaiping coal mines and the railway concession for the *Tientsin Railroad*. He was governor of *Société Generale de Belgique*, *Lloyd Royal Belge*, and regent of *La Banque Nationale de Belgique*.' Although his name is unknown he was the guiding spirit behind Herbert Hoover's rise to fortune...and the director of many atrocities in the Congo where he was alleged to instruct Belgian soldiers to bring in a man's hand for every spent cartridge. This is the reality about the 'humanitarian' who had sole charge of the distribution of the Belgian 'relief' during *World War I*...for which Hoover did the buying and shipping. Franqui and Hoover were fellow directors of the *Chinese Engineering and Mining Company* (the Kaiping mines) through which Hoover transported 200,000 Chinese slave workers to the Congo to work Franqui's copper mines.

When Edith Cavell, a British woman running a hospital in Belgium, uncovered the Hoover-Franqui operation, she leaked the details to the *Nursing Mirror* in London. On 15th April 1915, the newspaper published its scoop. Shock! Horror! On all fronts! *Belgium Relief* supplies were being shipped to Germany to feed the German army! Cavell paid for this whistle blowing with her life. After Cavell's 'legal murder', the truth was fought over in a propaganda war.⁵

With Edith Cavell out of the way and other traitors kept ignorant of the facts, the *Belgium Relief Operation* carried on. In 1916 when it looked like Germany would be unable to continue the war because of both food shortages and financial problems, more emergency relief was sent, enabling Germany to carry on fighting until November 1918.

Two of Hoover's assistants were Prentiss Gray, a West Coast lumber shipping clerk and Julius Barnes, a grain salesman. When the US entered the war, Barnes and Gray joined the *US Food Administration* under Hoover: Barnes as President of the *US Food Administration's Grain Corporation* from 1917 to 1918, and Gray as chief of *Marine Transportation*. Both men became partners in *J. Henry Schroder Banking Corporation* in New York after the war and amassed large fortunes...in grain and sugar.

(Photo right: Edith Cavell)

G.A. Zabriskie,⁶ another *Schroder* partner, headed up the *Sugar Equalization Board*. Hoover's principal assistant was Lewis L. Strauss, who was made a partner in *Kuhn Loeb*⁷ after marrying Jerome Hanauer's daughter, Alice.

Despite many complaints of corruption and scandal in the *US Food Administration*, no one was ever indicted. After the war, the partners of *J. Henry Schroder Company* found themselves owning most of Cuba's sugar industry. One of the Schroder partners, M. E. Rionda, chairman of *Pitney Bowes Corporation*, was president of *Cuba Cane Corporation* and a director of *Manati Sugar*. Prentiss Gray was a director of *Manati Sugar Company* and *American British and Continental Corporation*. Baron Bruno von Schröder, the senior partner at Schroders, was a director of *North British and Mercantile Insurance Company*. His father, Baron Rudolph von Schröder of Hamburg, together with F. C. Tiarks,⁸ were directors of *São Paulo Coffee Ltd.*, one of the Brazil's largest coffee companies.



⁵ The Germans considered Cavell to be unimportant so paid her no attention. But the *British Intelligence Service* in London was appalled by Cavell's leaking of state secrets and demanded that the Germans arrest her as a spy. Sir William Wiseman, head of *British Intelligence*, and a partner in *Kuhn Loeb Company*, fearing the war might grind to a halt, told the Germans that Cavell must be executed. The Germans reluctantly arrested her and charged her with aiding prisoners of war to escape. The usual penalty for this offense was three months imprisonment, but the Germans bowed to Sir William Wiseman's demands, and put Edith Cavell before a firing squad. Mullins views Whiteman as the key connection between *Schroder* and *British Intelligence*.

⁶ After the war, Zabriskie, who had presided over the *US Sugar Equalization Board*, became the president of several of America's largest baking corporations, including *Empire Biscuit*, *Southern Baking Corporation* and *Columbia Baking*.

⁷ Mullins mentions that *Kuhn Loeb* were bankers to the *Russian Revolution*, citing General Arsene de Goulevitch's book *Czarism and the Revolution*: 'Mr Bakmetiev, the late Russian Imperial Ambassador to the US, tells me that the Bolsheviks, after victory, transferred 600 million roubles in gold between 1918 and 1922 to *Kuhn, Loeb Company*'. *Kuhn Loeb* represented the Rothschild interest in the US and was headed by Jacob Schiff, who died (age 73) in 1920. Mullins also cites George Conroy in *Truth Magazine* (Boston, 16th December 1912), that, '...Jacob Schiff has been described as a financial strategist and has been for years the financial minister to the great impersonal power known as *Standard Oil*. He was hand in glove with the Harrimans, the Goulds and the Rockefellers, in all their railroad enterprises and has become the dominant power in the railroad and financial world in America. In 1971 W. Averell Harriman was to marry Pamela Churchill, the former wife of Winston Churchill's son, Randolph. Louis Brandeis was selected by Schiff as the instrument through which Schiff would achieve his ambition in New England. His job was to carry on an agitation which would undermine public confidence in the *New Haven* system and cause a decrease in the price of its securities, thus forcing them on the market for the wreckers to buy.' Woodrow Wilson's first appointment to the *US Supreme Court* was this same *Kuhn Loeb* lawyer, Louis Brandeis.

⁸ During *World War I*, Meyer was Chairman of the *War Finance Corporation*, Bernard Baruch, *Chairman of the War Industries Board* and Paul Warburg, *Governor of the Federal Reserve System*. Here is Mullins (p. 94), 'Mayer later claimed that Baruch was a nitwit and that Meyer, with his family connections (*Lazard Freres*) had guided Baruch's investment career.' These words appeared in the 50th anniversary edition of *The Washington Post* on the editorial page on 4th June 1983, accompanied by a parting shot from the *Post's* editor, Al Friendly, that 'every journalist in Washington, Meyer included, knew that Bernard Baruch was a self-aggrandizing phony'. Strong words indeed! But perhaps Baruch had his revenge when, at the age of 87, he published *My Own Story* (1957). A reviewer of the book from Nashville, Tennessee writing at *amazon.com* remarked that 'the biography is a great read for anyone interested in this great man who counseled presidents and was associated with Winston Churchill. It is interesting in showing how far ahead of his time Mr. Baruch was in not only stock speculating but also discrimination and economics. He was a millionaire in his early thirties after a few good runs in the stock market and devoted the remainder of his life to serving the public and helping the US win *WWI* and *WWII*.' Here from *My Own Story* is Baruch's

During his time organising the *Belgian Relief Commission* and running the *US Food Administration*...and after the war, the *American Relief Administration*...Hoover's closest associate was Edgar Rickard, born in Pontgibaud, France, who listed himself in *Who's Who* as 'administrative assistant to Herbert Hoover in all war and post-war organizations including the *Commission for Relief in Belgium*'. He also served on the *US Food Administration* from 1914-1924.⁹

In 1928 when Hoover's backers decided to run him for the presidency, they had a problem. Hoover had been born in the US but had never had a US business or residential address required by the *US Constitution*. He had gone abroad immediately after college at Stanford. So for the campaign they listed him at Suite 2000, 42 Broadway, New York...the office of Edgar Rickard, which he shared with the grain tycoon and *Schroder* partner, Julius H. Barnes.

After Herbert Hoover was elected 31st President of the United States in 1929, he appointed Eugene Mayer *Governor of the Federal Reserve Board*. Meyer's father had been a partner of *Lazard Frères* of Paris, and *Lazard Brothers* of London. During World War I, Meyer, together with Baruch and Warburg, formed Woodrow Wilson's triumvirate, which exercised unrivalled power.¹⁰ (Photo right: Louis T. McFadden)



McFadden was quoted in *The New York Times* on 17th December 1930 as having made a speech in the *House* attacking Hoover's appointment of Meyer and charging that '...he represents the Rothschild interest and is a liaison officer between the French Government and J. P. Morgan.'

On 18th December, *The Times* reported Herbert Hoover was 'deeply concerned' and that McFadden's speech was 'an unfortunate occurrence'. On 20th December, under the headline *McFadden Again*, *The Times* commented on its editorial page, that '...the speech ought to ensure the *Senate's* ratification of Mr Meyer as head of the *Federal Reserve*...and added for good measure that, '...the speech was incoherent, as Mr McFadden's speeches usually are'.

Not content with having a friend in the *White House*, *J. Henry Schroder Company* was soon embarked on further international adventures, nothing less than a plan to set up *World War II*. The plan was to finance Adolf Hitler's assumption of power in Germany



Many US magnates (including Fritz Thyssen, Henry Ford, and J.P. Morgan) funded fledgling German politicians. Millions of dollars for German political campaigns came across from the US during the 1920s, backing both ends against the middle in the hope of one of them being the winner.

(Photo left: President Herbert Hoover)

Most political parties disappeared from the German political scene, never to be heard from again. In December 1932 it seemed that Hitler would follow a similar path. He had done well in national campaigns but was heavily in debt, having overspent the money coming in from his normal sources.

In his book *Aggression*¹¹ Otto Lehmann-Russbeldt describes a meeting that took place at the *Schroder Bank* in Berlin on January 4, 1933, where the leading industrialists and bankers in Germany agreed to tide Hitler over, enabling him to meet the debts that his party had incurred maintaining a private army.

The *quid pro quo* demanded by the bankers was that Hitler break the power of the German trade unions. On May 2, 1933, Hitler fulfilled his promise to the bankers.

ten rules for successful stock speculation: (1) Only speculate if you can do it full time; (2) Ignore inside information and tips; (3) Have a complete understanding of a company's fundamentals before you buy the stock; (4) Don't try to buy bottoms or sell tops; (5) Cut your losses quickly; (6) Focus on and buy only a few stocks; (7) Review and update your investments periodically for changes; (8) Study your tax position to know when to sell at greatest advantage; (9) Never invest all your funds. Keep a reserve; (10) Stick to the field you know best in investments.'

⁹ Rickards remained one of Hoover's closest friends. The Rickards and Hoovers usually took their vacations together. After Hoover became *Secretary of Commerce* under Coolidge, he awarded his friend Edgar Rickard the *Hazeltine Radio* patents, which paid him one million dollars a year in royalties.

¹⁰ The *New York Times* noted on 23rd October 1923: 'Frank C. Tiarks will spend two weeks here to set up the opening of the banking house branch of *J. Henry Schroder of London*.' He was of German descent and, like his wife, he was a member of the *Anglo-German Fellowship* and a prominent member of the *British Union of Fascists*. Among Tiarks' appointments were a directorship of the *Bank of England* (1912-1945); a partnership in *J. Henry Schroder & Company*; and a partnership in the *Anglo-Iranian Oil Company* (1917-1948). He served in *World War I* (1914-18) under Sir William Reginald Hall, *Director of Naval Intelligence* in *Admiralty Room 40*, as Lieutenant-Commander; and in 1927 was appointed the High Sheriff of Kent.

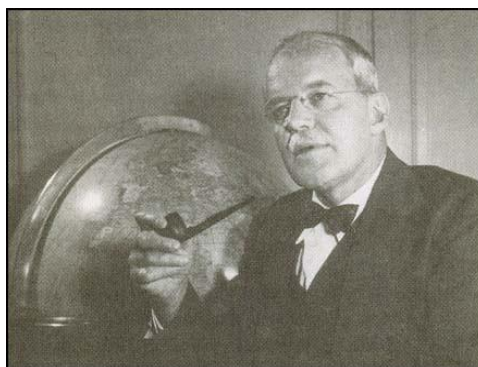
¹¹ Otto Lehmann -Russbeldt, *Aggression* (Hutchinson & Co., Ltd., London, 1934, p44).

Present at the January 4, 1933 meeting were the Dulles brothers, John and Allen, of the New York law firm of *Sullivan & Cromwell*, who represented the *Schroder Bank*. In 1919, the Dulles brothers had represented the US at the *Versailles Peace Conference*. John Foster Dulles was eventually appointed President Dwight Eisenhower's *Secretary of State* (he died in office). Allen Dulles went on to head the *Central Intelligence Agency* for many years.

Biographers of the Dulles Brothers make light of their presence at the meeting in January 1933, which installed Hitler as *Chancellor of Germany*, asserting that the meeting never took place. In Leonard Mosley's biography, *Dulles*, for instance, he seeks to justify their presence at the meeting on the grounds that '...they had spent large amounts of time in Germany, where *Sullivan and Cromwell* had considerable interests at the start of the 1930s, representing provincial governments, industrial combines, American companies with interests in the Reich and some rich individuals.'¹²

Allen Dulles later became a director of *J. Henry Schroder Company*. Neither he nor *Schroder* can be suspected of being pro-Nazi or pro-Hitler. The inescapable fact, as they saw it, was that if Hitler did not become Chancellor of Germany, there was little likelihood of getting a *Second World War* going...a war which would double their profits. The banking house of *Schroders* was established in 1846; its partners were the Barons von Schröder with associated (Schroder) branches in the United States and England.'¹³

(Photo right: Allen Dulles)



The Financial Editor of *The Daily Herald of London*¹⁴ wrote on 30th September 1933 of 'Mr. Norman's decision to give the Nazis the backing of the *Bank of England*'. John Hargrave, in his biography of Montagu Norman, says, 'Norman did all he could to assist *Hitlerism* to gain and maintain political power, operating on the financial plane from a stronghold in Threadneedle Street.'¹⁵



Hargrave writes that, 'Baron Wilhelm de Ropp'¹⁶, a journalist whose closest friend was Major F.W. Winterbotham, chief of *Air Intelligence* of the *British Secret Service*, brought the Nazi philosopher, Alfred Rosenberg, to London and introduced him to Lord Hailsham, *Secretary for War*; Geoffrey Dawson, editor of *The Times*; and Montagu Norman, *Governor of the Bank of England*.'

(Photo left: John Foster Dulles)

'After talking with Norman, Rosenberg met with the representative of the *Schroder Bank* of London, whose managing director, F.C. Tiarks, was a director of the *Bank of England*.'

Hargrave writes (page 217) that: '...early in 1934 a select group of City financiers gathered in Norman's room: Sir Robert Kindersley, partner of *Lazard Brothers*, Charles Hambro, F.C. Tiarks and Sir Josiah Stamp, (also a director of the *Bank of England*).' He cites a source as reporting Norman to have said that 'a new power had established itself, a great stabilizing force, namely Nazi Germany' and to have advised his colleagues to include Hitler in their plans for financing Europe. 'There was no opposition.'¹⁷

¹² Leonard Mosely, *Dulles*, (Dial Publishing Co., New York 1978, p88).

¹³ The *Great Soviet Encyclopaedia*, (Macmillan, London, 1973, v.2 p. 620) cites *The New York Times* from October 11, 1944: 'Senator Claude Pepper criticized John Foster Dulles, Gov. Dewey's foreign relations advisor for his connection with the law firm of *Sullivan and Cromwell* and for having aided Hitler financially in 1933. Pepper described the January 4, 1933 meeting between Franz von Papen and Hitler in Baron Schroder's home in Cologne, and, from that time on, the Nazis were able to continue their march to power.'

¹⁴ The *Daily Herald* newspaper was established in 1912 with George Lansbury as its editor. During the *First World War* the paper maintained a strongly pacifist stance...supporting the October 1917 *Russian Revolution*. Originally a radical liberal, Lansbury converted to socialism in the early 1890s, and thereafter served his local community in the East End of London in numerous elective offices. Elected to parliament in 1910, he resigned his seat in 1912 to campaign for women's suffrage, and was briefly imprisoned after publicly supporting militant action. After the political and economic crisis of August 1931, Lansbury did not follow the *Labour Party* leader, Ramsay MacDonald, into the *National Government*, but stayed with the *Labour Party*. As the most senior of the small contingent of Labour MPs that survived the 1931 general election, Lansbury became the party's leader. His pacifism and his opposition to rearmament in the face of rising European fascism put him at odds with his party. When his position on defence policy was narrowly rejected at the 1935 Labour Party conference, he resigned the leadership. He spent his final years travelling through the United States and Europe in the cause of peace and disarmament.

¹⁵ See *The Old Lady of Threadneedle Street* by William Franklin.

¹⁶ Ladislav Farago in *The Game of the Foxes* (1973) reported that Baron Wilhelm de Ropp was a double agent, who had penetrated the highest echelons in pre-World War II days. Hitler relied upon de Ropp as his confidential consultant about British affairs.

¹⁷ In *Mein Kampf* Hitler comes out strongly against international capital. In *The Beginning of My Political Education* (Chapter 8), he praises Gottfried Feder...who he first heard lecture in 1919...and who was to become Hitler's *Under-Secretary of State for Labour* from 1933 to 1934... 'As I listened to Gottfried Feder's first lecture about the 'breaking of interest slavery', I knew at

But what of the strange career of Woodrow Wilson: the ‘great liberal’ and ‘defender of the common people’? Wilson signed the *Federal Reserve Act*, declared war on Germany and turned the US government over to three men whose history was one of ruthless speculation for personal gain. Throughout his career he kept company with unsavoury characters, among them another *Kuhn Loeb* man, Cleveland H. Dodge, who controlled the *National Bank of New York* and was president of the *Winchester Arms Company* and the *Remington Arms Company*.¹⁸

When US citizens booed him during his campaign to persuade them to sign over their hard won independence to an international dictatorship, Wilson was visibly shocked, to the extent that he went into a depression and retired to his bedroom. An American President holed up in his bedroom because some people yelled at him?

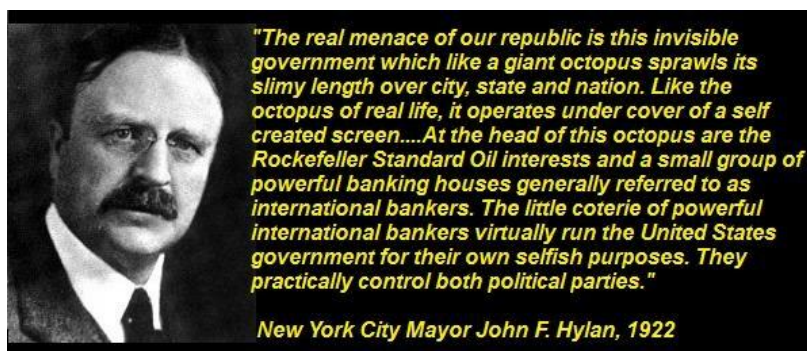
His wife reacted by shutting the *White House* doors against Col. House. From 25 September 1919 to 13 April 1920, it was whispered that America was ruled by an unelected woman, helped by her military aide Richey Smith.

For decades the cheerleader for Wilson was Bernard Baruch, for whom Wilson was ‘the greatest man he ever knew’.

But Wilson’s appointments to the *Federal Reserve Board*, and that body’s responsibility for financing the *First World War* makes him arguably the most important single effector of ruin in American history.

On his trip to Europe Woodrow Wilson was jeered in the streets of France, and snickered at in the halls of Versailles by Clemenceau and Lloyd George. Wilson returned home and took to his bed. Was the shock of the sight of the destruction and death in Europe, for which he was directly responsible, more than he could bear?

While the cartel suffered only minor setbacks, they did not get away scot-free. On 12th February 1917 *The New York Times* reported that ‘the five members of the *Federal Reserve Board* were impeached on the floor of the *House* by Rep. Charles A. Lindbergh, Republican member of the *House Banking and Currency Committee*.’ Here is Lindbergh.



The Federal Reserve Conspiracy

‘The conspiracy began in 1906 when the J.P. Morgan, Paul Warburg, a present member of the *Federal Reserve Board*, the *National City Bank* and other banks conspired to obtain currency legislation in the interest of big business and to appoint a special board to administer such a law. In order to create industrial slaves of the masses, these conspirators did conspire and are now conspiring to have the *Federal Reserve Board* administered so as to enable the conspirators to coordinate all kinds of big business and to keep themselves in control of big business in order to amalgamate all the trusts into one great trust in restraint and control of trade and commerce.’

(Congressman Charles Lindbergh Sr.)

Prompted by the *1923 Senate Hearings* into the causes of the *Agricultural Depression of 1920-21*, in November 1923, William Jennings Bryan¹⁹ wrote: ‘The *Federal Reserve Bank* that should have been the farmer’s greatest protection has become his greatest foe. The deflation of the farmer was a crime deliberately committed.’

once that this was a theoretical truth which would inevitably be of immense importance for the future of the German people. The sharp separation of stock exchange capital from the national economy offered the possibility of opposing the internationalization of the German economy without at the same time menacing the foundations of an independent national self-maintenance by a struggle against all capital. The development of Germany was much too clear in my eyes for me not to know that the hardest battle would have to be fought, not against hostile nations, but against international capital. In Feder’s lecture I sensed a powerful slogan for this coming struggle.’ It is therefore surprising to find Norman (and by implication his *Federal Reserve* colleague, Benjamin Strong) giving enthusiastic backing to Hitler. If Hargrave’s report is accurate, then these central bankers were playing a perfidious game, believing that Hitler could be bought off or reined in when the time came. *Mein Kampf* was published in two volumes: *Eine Arrechnung (A Reckoning)* on 19th July 1925 in a print-run of 10,000; and *Die Nationalsozialistische Bewegung (The Nazi Movement)* 18-months later and had sold 36,000 copies between them by 1929. In 1930 the Nazi vote rose to six and a half million and party membership increased to 400,000. On the back of this evidence of Hitler’s popular support, a *People’s Edition of Mein Kampf*, at a third the price, was published with both volumes in a single binding. By the end of 1933 over a million and a half copies had been sold.

¹⁸ Wilson lifted the embargo on shipment of arms to Mexico on 12th February 1914 so that Dodge could ship a million dollars of arms and ammunition to promote the *Mexican Revolution*. When the *Lusitania* was sunk in 1915, it was loaded with ammunition from Dodge’s factories. Dodge became Chairman of the *Survivors of Victims of the Lusitania Fund* which did so much to arouse the public against Germany. Dodge was known to use professional gangsters against strikers in his plants.

¹⁹ *Hearst’s Magazine*. See also [The Last Stand of William Jennings Bryan](#) by William Shepherd.

The Agricultural Depression of 1920-21

The *First World War* had introduced into the country a general prosperity as revealed by the stocks of heavy industry on the *New York Exchange* in 1917-18, by the increase in the amount of money circulated, and by the enormous bank clearings during the whole of 1918. It was the assigned duty of the *Federal Reserve System* to get back the vast amount of money and credit which had escaped their control during this time of prosperity. This was done by the *Agricultural Depression of 1920-21*.

The operations of the *Federal Reserve Open Market Committee* in 1917-18 show a tremendous increase in purchases of bankers' and trade acceptances. There was also a great increase in the purchase of US Government securities. A large part of the stock market speculation in 1919, at the end of the war when the market was very unsettled, was financed with funds borrowed from *Federal Reserve Banks* with Government securities as collateral. Thus the *Federal Reserve System* set up the *Depression*, first by causing inflation, and then by raising the discount rate and making money dear.

In 1914, *Federal Reserve Bank* rates had dropped from six percent to four percent, had gone to a further low of three percent in 1916, and had stayed at that level until 1920. The reason for the low interest rate was the necessity for floating the billion dollar *Liberty Loans*. At the beginning of each *Liberty Loan Drive*, the *Federal Reserve Board* put a hundred million dollars into the New York money market through its open market operations, in order to provide a cash impetus to the drive.

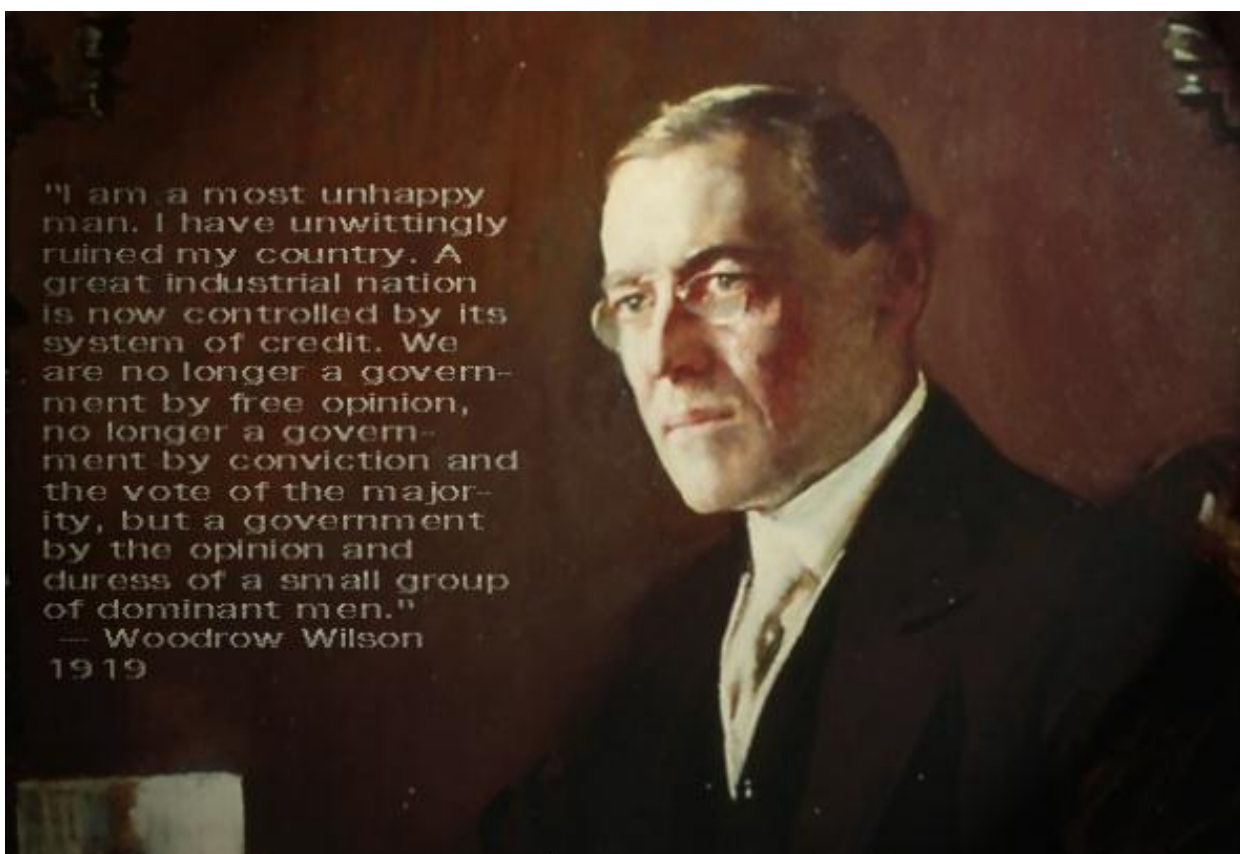
The most important role of the *Liberty Bonds* was to soak up the increase in circulation of medium of exchange brought about by the large amount of currency and credit put out during the war. Labourers were paid high wages, and farmers received the highest prices for their produce they had ever known. These two groups accumulated millions of dollars in cash which they did not put into *Liberty Bonds*. The money was effectively out of the hands of the *Wall Street* group which controlled the money and credit of the United States. They wanted it back, and that is why there was an *Agricultural Depression* in 1920-21.

"In the early part of 1920, the farmers were exceedingly prosperous. They were paying off the mortgages and buying a lot of new land having borrowed money to do so. Then they were bankrupted by a sudden contraction of credit and currency which took place in 1920. What took place 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 May 1920, and it was a secret meeting. They spent all day conferring; the minutes made sixty printed pages, and they appear in Senate Document 310 of February 19, 1923. The Class A Directors, the *Federal Reserve Advisory Council*, were present. But the Class B Directors, who represented business, commerce, and agriculture, were not present. The Class C Directors, representing the people of the United States, were not present and were not invited to be present. Only the big bankers were there, and their work of that day resulted in a contraction of credit which had the effect the next year of reducing the national income by fifteen billion dollars, throwing millions of people out of employment, and reducing the value of lands and ranches by twenty billion dollars."

Senator Robert L. Owen, Chairman of the Senate Banking and Currency Committee

"The purpose of the *Board's* actions was to break those *State and Joint Land Stock Banks* which had steadfastly refused to surrender their freedom to the bankers' dictatorship set up by the *Federal Reserve System*."

Eugene Meyer



To end on a positive note...with a solution instead of a problem...here is the *Fourth of July* 2013 message from Stephen Zarlenga²⁰ to friends of the *American Monetary Institute*:

Dear Fellow Americans, and friends around the Earth,

This Fourth of July, as we have proudly celebrated our declaration of independence from the tyranny of a mad Brit King, let's remember the victory a small group of dedicated, courageous men and women achieved against the world's most powerful military of their time. It was a victory that appeared extremely improbable at best, as they pledged their lives and fortunes to fight for its success. And as events and battles were fought, the possibility of a favorable outcome grew even smaller. But at the right moment, help from France turned the tide and the British were defeated.

Defeated militarily, but not monetarily. For soon after the Constitution was ratified, in 1791 the *1st Bank of the United States*, a privately owned and privately controlled central bank was put through *Congress* by Treasury Secretary Alexander Hamilton, modeled on the private *Bank of England*. The gang around that bank were more dangerous than King George the 3rd; and the Hamilton people thereby insinuated into the New World forces representing the most evolved secular form that evil had attained in the Old World. Thanks a lot Hamilton! (Folks all it takes to screw up our nation and end up with what we have now, is to follow and promote Hamilton's views.)

Jefferson fought the bank, helping to bring it down and Burr killed Hamilton over public insults; but using bank debt for money had gained a foothold in America. It's still here, in control of our monetary system. It's the root cause of most of our social and economic problems, and regularly plunges us into a crisis! Whenever it caused crises in the past, our government has had to come to the rescue. Its latest atrocity is the current monetary, banking and economic crisis that has brought pain and hardship to millions of our people! It still threatens to take the entire world economy down into depression, and destroy the lives of billions of people in the process.

Isn't this the right time to work to end it? This crisis gives us our only opportunity to reform our monetary system and to eliminate using debt as the basis for money. To absolutely eliminate the privilege banks have to create our money supply when they extend loans. That is the key. It's easy to do that with simple bank accounting rule changes, studied and known for decades. Those trying to block reform - for whatever sick reason always assert that credit/debt money is a beneficial thing, and necessary. It is not! Today they pretend to agree with reform, but argue it would be too difficult to achieve. Don't fall for that!

The most recent example of the needed changes were formulated by Congressman Dennis Kucinich in 2011 when he introduced into the 112th Congress - the *N.E.E.D. Act, the National Emergency Employment Defense Act*; HR 2990. This was derived from the *American Monetary Act* of our Institute.²¹ The *American Monetary Institute* has published its research results in the book *The Lost Science of Money*²² (drawn from a study of over 800 monetary books and sources). The first 23 chapters focus on the monetary case studies from Aristotle forward. Then Chapter 24 summarizes what those studies teach us and how that can be applied to solving today's dilemma. The *American Monetary Act* puts that plan into legislative form.²³ *HR2990* fundamentally reforms the *Credit/Debt System* now wrecking our nation, replacing it with a *Government Money System*. It will solve about 80% of the problems our country faces.

The *Green Party*²⁴ decided to support the key elements of that Act in recent years. You see, just about all the reforms the Greens want are both worthy, and difficult to accomplish - so most Greens are not so easily scared away by BS about "you'll never succeed!"

How does *HR 2990* work? The *Federal Reserve* becomes incorporated into the *US Treasury*. Banks no longer have the accounting privilege of creating our money supply. All their previously issued credit is converted into *US Money* through an elegant and gentle accounting change, which has been described as brilliant by a former officer of the *NY Fed*. The banks are held accountable for this conversion. New money is then introduced by the government spending it into circulation for infrastructure, starting with the \$2.2 trillion the engineers tell us is needed to properly maintain our infrastructure over the next 5 years. Infrastructure will include the necessary human infrastructure of health care and education. Banks are encouraged to continue lending as profit making companies, but are no longer allowed to create our money supply through their loan making activity. Quite simply, they have to loan money, not debt.

Thus, *The American Monetary Act* nationalizes the money system, not the banking system. Banking is not a proper function of government, at any level, but providing the nation's money supply is a key function of government. No one else can do it properly. Any questions - don't hesitate to ask. Really.

Thanks for your attention. I hope you have had a good Fourth of July!

²⁰ *The Lost Science of Money: the mythology of money - the story of power* by Stephen Zarlenga (2002, American Monetary Institute, Valatie, New York, 760 pages, ISBN 1-930748-03-5; German: *Der Mythos vom Geld - die Geschichte der Macht*).

²¹ See a description, and videos at <http://www.monetary.org/wp-content/uploads/2013/01/HR-2990.pdf>

²² See the [critical review](#) of Stephen Zarlenga's *The Lost Science of Money: the mythology of money - the story of power* by Thomas H. Greco Jr., the author of *The End of Money and the Future of Civilization* (2009, Chelsea Green, White River Junction, Vermont, ISBN 978-1-60358-078-6).

²³ See <http://www.monetary.org>.

²⁴ See [Letter from Chicago](#) by William Franklin.