

# Louis T. McFadden's Speech

## In the House of Representatives

10 June 1932

It is well enough that the people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning. -- *Henry Ford*

Mr. Chairman, at the present session of Congress we have been dealing with emergency situations. We have been dealing with the effect of things rather than with the cause of things. In this particular discussion I shall deal with some of the causes that lead up to these proposals. There are underlying principles which are responsible for conditions such as we have at the present time and I shall deal with one of these in particular which is tremendously important in the consideration that you are now giving to this bill.

Mr. Chairman, we have in this country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board and the Federal Reserve Banks. The Federal Reserve Board, a Government board, has cheated the Government of the United States and the people of the United States out of enough money to pay the national debt. The depredations and iniquities of the Federal Reserve Board has cost this country enough money to pay the national debt several times over. This evil institution has impoverished and ruined the people of the United States, has bankrupted itself, and has practically bankrupted our Government. It has done this through the defects of the law under which it operates, through the maladministration of that law by the Federal Reserve Board, and through the corrupt practices of the moneyed vultures who control it.

Some people think the Federal Reserve banks are United States Government institutions. They are not Government institutions. They are private credit monopolies which prey upon the people of the United States for the benefit of themselves and their foreign customers; foreign and domestic speculators and swindlers; and rich and predatory money lenders. In that dark crew of financial pirates there are those who would cut a man's throat to get a dollar out of his pocket; there are those who send money into States to buy votes to control our legislation; and there are those who maintain international propaganda for the purpose of deceiving us and of wheedling us into the granting of new concessions which will permit them to cover up their past misdeeds and set again in motion their gigantic train of crime.

These twelve private credit monopolies were deceitfully and disloyally foisted upon this country by the bankers who came here from Europe and repaid us for our

hospitality by undermining our American institutions. Those bankers took money out of this country to finance Japan in a war against Russia. They created a reign of terror in Russia with our money in order to help that war along. They instigated the separate peace between Germany and Russia and thus drove a wedge between the Allies in the World War. They financed Trotsky's passage from New York to Russia so that he might assist in the destruction of the Russian Empire. They fomented and instigated the Russian revolution and they placed a large fund of American dollars at Trotsky's disposal in one of their branch banks in Sweden so that through him Russian homes might be thoroughly broken up and Russian children flung far and wide from their natural protectors. They have since begun the breaking up of American homes and the dispersal of American children.

It has been said that President Wilson was deceived by the attentions of these bankers and by the philanthropic poses they assumed. It has been said that when he discovered the manner in which he had been misled by Colonel House, he turned against that busybody, that "holy monk" of the financial empire, and showed him the door. He had the grace to do that, and in my opinion he deserves great credit for it.

President Wilson died a victim of deception. When he came to the Presidency, he had certain qualities of mind and heart which entitled him to a high place in the councils of this Nation; but there was one thing he was not and which he never aspired to be; he was not a banker. He said that he knew very little about banking. It was, therefore, on the advice of others that the iniquitous Federal Reserve act, the death warrant of American liberty, became law in his administration.

Mr. Chairman, there should be no partisanship in matters concerning the banking and currency affairs of this country, and I do not speak with any.

In 1912 the National Monetary Association, under the chairmanship of the late Senator Nelson W. Aldrich, made a report and presented a vicious bill called the National Reserve Association bill. This bill is usually spoken of as the Aldrich bill. Senator Aldrich did not write the Aldrich bill. He was the tool, but not the accomplice, of the European-born bankers who for nearly twenty years had been scheming to set up a central bank in this country and who in 1912 had spent and were continuing to spend vast sums of money to accomplish their purpose.

The Aldrich bill was condemned in the platform upon which Theodore Roosevelt was nominated in the year 1912, and in that same year, when Woodrow Wilson was nominated, the Democratic platform, as adopted at the Baltimore convention, expressly stated: "We are opposed to the Aldrich plan for a central bank." This was plain language. The men who ruled the Democratic Party then promised the people that if they were returned to power there would be no central bank established here while they held the reigns of government. Thirteen months later that promise was broken, and the Wilson administration, under the tutelage of those sinister Wall Street figures who stood behind Colonel House, established here in our free country the worm-eaten monarchical institution of the "king's bank" to control us from the top

downward, and to shackle us from the cradle to the grave. The Federal Reserve act destroyed our old and characteristic way of doing business; it discriminated against our one-name commercial paper, the finest in the world; it set up the antiquated two-name paper, which is the present curse of this country, and which wrecked every country which has ever given it scope; it fastened down upon this country the very tyranny from which the framers of the *Constitution* sought to save us.

One of the greatest battles for the preservation of this Republic was fought out here in Jackson's day, when the Second Bank of the United States, which was founded upon the same false principles as those which are here exemplified in the Federal Reserve act, was hurled out of existence. After the downfall of the Second Bank of the United States in 1837, the country was warned against the dangers that might ensue if the predatory interests, after being cast out, should come back in disguise and unite themselves to the Executive, and through him acquire control of the Government. That is what the predatory interests did when they came back in the livery of hypocrisy and under false pretenses obtained the passage of the Federal Reserve act.

The danger that the country was warned against came upon us and is shown in the long train of horrors attendant upon the affairs of the traitorous and dishonest Federal Reserve Board and the Federal Reserve banks are fully liable. This is an era of financed crime and in the financing of crime, the Federal Reserve Board does not play the part of a disinterested spectator.

It has been said that the draughtsman who was employed to write the text of the Federal Reserve bill used a text of the Aldrich bill for his purpose. It has been said that the language of the Aldrich bill was used because the Aldrich bill had been drawn up by expert lawyers and seemed to be appropriate. It was indeed drawn up by lawyers. The Aldrich bill was created by acceptance bankers of European origin in New York City. It was a copy and in general a translation of the statutes of the Reichsbank and other European central banks.

Half a million dollars was spent one part of the propaganda organized by those same European bankers for the purpose of misleading public opinion in regard to it, and for the purpose of giving Congress the impression that there was an overwhelming popular demand for that kind of banking legislation and the kind of currency that goes with it, namely, an asset currency based on human debts and obligations instead of an honest currency based on gold and silver values. Dr. H. Parker Willis had been employed by the Wall Street bankers and propagandists and when the Aldrich measure came to naught and he obtained employment with Carter Glass to assist in drawing a banking bill for the Wilson administration, he appropriated the text of the Aldrich bill for his purpose. There is no secret about it. The text of the Federal Reserve act was tainted from the beginning.

Not all of the Democratic Members of the Sixty-third Congress voted for this great deception. Some of them remembered the teachings of Jefferson; and, through the years, there had been no criticisms of the Federal Reserve Board and the Federal

Reserve banks so honest, so out-spoken, and so unsparingly as those which have been voiced here by Democrats. Again, although a number of Republicans voted for the Federal Reserve act, the wisest and most conservative members of the Republican Party would have nothing to do with it and voted against it. A few days before the bill came to a vote, Senator Henry Cabot Lodge, of Massachusetts, wrote to Senator John W. Weeks as follows:

New York City, December 17, 1913

My Dear Senator Weeks:

Throughout my public life I have supported all measures designed to take the Government out of the banking business.... This bill puts the Government into the banking business as never before in our history and makes, as I understand it, all notes Government notes when they should be bank notes.

The powers vested in the Federal Reserve Board seem to me highly dangerous, especially where there is political control of the Board. I should be sorry to hold stock in a bank subject to such domination. The bill as it stands seems to me to open the way to a vast inflation of the currency. There is no necessity of dwelling upon this point after the remarkable and most powerful argument of the senior Senator from New York. I can be content here to follow the example of the English candidate for Parliament who thought it enough "to say ditto to Mr. Burke." I will merely add that 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.

I had hoped to support this bill, but I can not vote for it as it stands, because it seems to me to contain features and to rest upon principles in the highest degree menacing to our prosperity, to stability in business, and to the general welfare of the people of the United States.

Very sincerely yours,  
Henry Cabot Lodge

In eighteen years that have passed since Senator Lodge wrote that letter of warning all of his predictions have come true. The Government is in the banking business as never before. Against its will it has been made the backer of horsethieves and card sharps, bootleggers, smugglers, speculators, and swindlers in all parts of the world. Through the Federal Reserve Board and the Federal Reserve banks the riffraff of every country is operating on the public credit of this United States Government. Meanwhile, and on account of it, we ourselves are in the midst of the greatest depression we have ever known. Thus the menace to our prosperity, so feared by Senator Lodge, has indeed struck home. From the Atlantic to the Pacific our country has been ravaged and laid waste by the evil practices of the Federal Reserve Board and the Federal Reserve banks and the interests which control them. At no time in our history has the general welfare of the people of the United States been at a lower level or the mind of the people so filled with despair.

Recently in one of our States 60,000 dwelling houses and farms were brought under the hammer in a single day. According to the Rev. Father Charles E. Coughlin, who has lately testified before a committee of this House, 71,000 houses and farms in

Oakland County, Michigan, have been sold and their erstwhile owners dispossessed. Similar occurrences have probably taken place in every county in the United States. The people who have thus been driven out are the wastage of the Federal Reserve act. They are the victims of the dishonest and unscrupulous Federal Reserve Board and Federal Reserve banks. Their children are the new slaves of the auction blocks in the revival here of the institution of human slavery.

In 1913, before the Senate Banking and Currency Committee, Mr. Alexander Lassen made the following statement:

But the whole scheme of the Federal Reserve bank with its commercial-paper basis is an impractical, cumbersome machinery, is simply a cover, to find a way to secure the privilege of issuing money and to evade payment of as much tax upon circulation as possible, and then control the issue and maintain, instead of reduce, interest rates. It is a system that, if inaugurated, will prove to the advantage of the few and the detriment of the people of the United States. It will mean continued shortage of actual money and further extension of credits; for when there is a lack of real money people have to borrow credit to their cost.

A few days before the Federal Reserve act was passed Senator Elihu Root denounced the Federal Reserve bill as an outrage on our liberties and made the following prediction: "Long before we wake up from our dreams of prosperity through an inflated currency, our gold, which alone could have kept us from catastrophe, will have vanished and no rate of interest will tempt it to return."

If ever a prophecy came true, that one did. It was impossible, however, for those luminous and instructed thinkers to control the course of events. On December 23, 1913, the Federal Reserve bill became law, and that night Colonel House wrote to his hidden master in Wall Street as follows:

I want to say a word of appreciation to you for the silent but no doubt effective work you have done in the interest of currency legislation and to congratulate you that the measure has finally been enacted into law. We all know that an entirely perfect bill, satisfactory to everybody, would have been an impossibility, and I feel quite certain that unless the President had stood as firm as he did we should likely have had no legislation at all. The bill is a good one in many respects; anyhow good enough to start with and to let experience teach us in what direction it needs perfection, which in due time we shall then get. In any event you have personally good reason to feel gratified with what has been accomplished.

The words "unless the President had stood as firm as he did we should likely have had no legislation at all," were a gentle reminder that it was Colonel House himself, the "holy monk," who had kept the President firm.

The foregoing letter affords striking evidence of the manner in which the predatory interests then sought to control the Government of the United States by surrounding the Executive with the personality and the influence of a financial Judas. Left to itself and to the conduct of its own legislative functions without pressure from the Executive, the Congress would not have passed the Federal Reserve act. According to Colonel House, and since this was his report to his master, we may believe it to be true, the Federal Reserve act was passed because Wilson stood firm; in

other words because Wilson was under the guidance and control of the most ferocious usurers in New York through their hireling, House. The Federal Reserve act became law the day before Christmas Eve in the year 1913, and shortly afterwards the German international bankers, Kuhn, Loeb and Co., sent one of their partners here to run it.

In 1913, when the Federal Reserve bill was submitted to the Democratic caucus, there was a discussion in regard to the form the proposed paper currency should take. The proponents of the Federal Reserve act, in their determination to create a new kind of paper money, had not needed to go outside of the Aldrich bill for a model. By the terms of the Aldrich bill, bank notes were to be issued by the National Reserve Association and were to be secured partly by gold or lawful money and partly by circulating evidences of debt. The first draft of the Federal Reserve bill presented the same general plan, that is, for bank notes as opposed to Government notes, but with certain differences of regulation.

When the provision for the issuance of Federal Reserve notes was placed before President Wilson he approved of it, but other Democrats were more mindful of Democratic principles and a great protest greeted the plan. Foremost amongst those who denounced it was William Jennings Bryan, the Secretary of State. Bryan wished to have the Federal Reserve notes issued as Government obligations. President Wilson had an interview with him and found him adamant. At the conclusion of the interview Bryan left with the understanding that he would resign if the notes were made bank notes. The President then sent for his Secretary and explained the matter to him. Mr. Tumulty went to see Bryan and Bryan took from his library shelves a book containing all the Democratic platforms and read extracts from them bearing on the matter of the public currency. Returning to the President, Mr. Tumulty told him what had happened and ventured the opinion that Mr. Bryan was right and that Mr. Wilson was wrong. The President then asked Mr. Tumulty to show him where the Democratic Party in its national platforms had ever taken the view indicated by Bryan. Mr. Tumulty gave him the book, which he had brought from Bryan's house, and the President read very carefully plank after plank on the currency. He then said, "I am convinced there is a great deal in what Mr. Bryan says," and thereupon it was arranged that Mr. Tumulty should see the proponents of the Federal Reserve bill in an effort to bring about an adjustment of the matter.

The remainder of this story may be told in the words of Senator Glass. Concerning Bryan's opposition to the plan of allowing the proposed Federal Reserve notes to take the form of bank notes and the manner in which President Wilson and the proponents of the Federal Reserve bill yielded to Bryan in return for his support of the measure, Senator Glass makes the following statement:

The only other feature of the currency bill around which a conflict raged at this time was the note-issue provision. Long before I knew it, the President was desperately worried over it. His economic good sense told him the notes should be issued by the banks and not by the Government; but some of his advisers told him Mr. Bryan could not be induced to give his support to any bill that did not provide for a "Government note." There was in the Senate

and House a large Bryan following which, united with a naturally adversary party vote, could prevent legislation. Certain overconfident gentlemen proffered their services in the task of "managing Bryan." They did not budge him.... When a decision could no longer be postponed the President summoned me to the White House to say he wanted Federal Reserve notes to "be obligations of the United States." I was for an instant speechless. With all the earnestness of my being I remonstrated, pointing out the unscientific nature of such a thing, as well as the evident inconsistency of it.

"There is not, in truth, any Government obligation here, Mr. President," I exclaimed. "It would be a pretense on its face. Was there ever a Government note based primarily on the property of banking institutions? Was there ever a Government issue not one dollar of which could be put out except by demand of a bank? The suggested Government obligation is so remote it could never be discerned," I concluded, out of breath.

"Exactly so, Glass," earnestly said the President. "Every word you say is true; the Government liability is a mere thought. And so, if we can hold to the substance of the thing and give the other fellow the shadow, why not do it, if thereby we may save our bill?"

**Shadow and substance!** One can see from this how little President Wilson knew about banking. Unknowingly, he gave the substance to the international banker and the shadow to the common man. Thus was Bryan circumvented in his efforts to uphold the Democratic doctrine of the rights of the people. Thus the "unscientific blur" upon the bill was perpetrated. The "unscientific blur," however, was not the fact that the United States Government, by the terms of Bryan's edict, was obliged to assume as an obligation whatever currency was issued. Mr. Bryan was right when he insisted that the United States should preserve its sovereignty over the public currency. The "unscientific blur" was the nature of the currency itself, a nature which makes it unfit to be assumed as an obligation of the United States Government. It is the worst currency and the most dangerous this country has ever known. When the proponents of the act saw that the Democratic doctrine would not permit them to let the proposed banks issue the new currency as bank notes, they should have stopped at that. They should not have foisted that kind of currency, namely, an asset currency, on the United States Government. They should not have made the Government liable on the private debts of individuals and corporations and, least of all, on the private debts of foreigners.

The Federal Reserve note is essentially unsound. As Kemmerer says: "The Federal Reserve notes, therefore, in form have some of the qualities of Government paper money, but, in substance, are almost a pure asset currency possessing a Government guaranty against which contingency the Government has made no provision whatever." Hon. E.J. Hill, a former Member of the House, said, and truly: "They are obligations of the Government for which the United States has received nothing and for the payment of which at any time it assumes the responsibility looking to the Federal Reserve to recoup itself."

If the United States Government is to redeem the Federal Reserve notes when the general public finds out what it costs to deliver this flood of paper money to the twelve Federal Reserve banks, and if the Government has made no provision for

redeeming them, the first element of unsoundness is not far to seek.

Before the Banking and Currency Committee, when the Federal Reserve bill was under discussion, Mr. Crozier, of Cincinnati, said:

In other words, the imperial power of elasticity of the public currency is wielded exclusively by these central corporations owned by the banks. This is a life and death power over all local banks and all business. It can be used to create or destroy prosperity, to ward off or cause stringencies and panics. By making money artificially scarce, interest rates throughout the country can be arbitrarily raised and the bank tax on all business and cost of living increased for the profit of the banks owning these regional central banks, and without the slightest benefit to the people. These twelve corporations together cover the whole country and monopolize and use for private gain every dollar of the public currency and all public revenue of the United States. Not a dollar can be put into circulation among the people by their Government without the consent of and on terms fixed by these twelve private money trusts.

In defiance of this and all other warnings, the proponents of the Federal Reserve act created the twelve private credit corporations and gave them an absolute monopoly of the currency of the United States, not of the Federal Reserve notes alone, but of all the currency, the Federal Reserve act providing ways by means of which the gold and general currency in the hands of the American people could be obtained by the Federal Reserve banks in exchange for Federal Reserve notes, which are not money, but merely promises to pay money. Since the evil day when this was done the initial monopoly has been extended by vicious amendments to the Federal Reserve act and by the unlawful and treasonable practices of the Federal Reserve Board and the Federal Reserve banks.

Mr. Chairman, when a Chinese merchant sells human hair to a Paris wigmaker and bills him in dollars, the Federal Reserve banks can buy his bill against the wigmaker and then use that bill as collateral for the Federal Reserve notes. The United States Government thus pays the Chinese merchant the debt of the wigmaker and gets nothing in return except a shady title to the Chinese hair.

Mr. Chairman, if a Scottish distiller wishes to send a cargo of Scotch whiskey to the United States, he can draw his bill against the purchasing bootlegger in dollars; and after the bootlegger has accepted it by writing his name across the face of it, the Scotch distiller can send that bill to the nefarious open discount market in New York City, where the Federal Reserve Board and the Federal Reserve banks will buy it and use it as collateral for a new issue of Federal Reserve notes. Thus the Government of the United States pays the Scotch distiller for the whiskey before it is shipped; and if it is lost on the way, or if the Coast Guard seizes it and destroys it, the Federal Reserve banks simply write off the loss and the Government never recovers the money that was paid to the Scotch distiller. While we are attempting to enforce prohibition here, the Federal Reserve Board and the Federal Reserve banks are financing the distillery business in Europe and paying bootleggers' bills with the public credit of the United States Government.

Mr. Chairman, if a German brewer ships beer to this country or anywhere else in

the world and draws his bill for it in dollars, the Federal Reserve banks will buy that bill and use it as collateral for Federal Reserve notes. Thus, they compel our Government to pay the German brewer for his beer. Why should the Federal Reserve Board and the Federal Reserve banks be permitted to finance the brewing industry in Germany, either in this way or as they do by compelling small and fearful United States banks to take stock in the Isenbeck brewery and in the German bank for brewing industries?

Mr. Chairman, if Dynamit Nobel of Germany wishes to sell dynamite to Japan to use in Manchuria or elsewhere, it can draw its bill against the Japanese customers in dollars and send that bill to the nefarious open discount market in New York City, where the Federal Reserve Board and Federal Reserve banks will buy it and use it as collateral for a new issue of Federal Reserve notes, while at the same time the Federal Reserve Board will be helping Dynamit Nobel by stuffing its stock into the United States banking system. Why should we send our representatives to the disarmament conference at Geneva while the Federal Reserve Board and the Federal Reserve banks are making our Government pay Japanese debts to German munition makers?

Mr. Chairman, if a bean grower of Chile wishes to raise a crop of beans and sell them to a Japanese customer, he can draw a bill against his prospective Japanese customer in dollars and have it purchased by the Federal Reserve Board and Federal Reserve banks and get the money out of this country at the expense of the American people before he has even planted the beans in the ground.

Mr. Chairman, if a German in Germany wishes to export goods to South America or anywhere else, he can draw his bill against his customer and send it to the United States and get the money out of this country before he ships or even manufactures the goods.

Mr. Chairman, why should the currency of the United States be issued on the strength of Chinese human hair? Why should it be issued on the trade whims of a wigmaker? Why should it be issued on the strength of German beer? Why should it be issued on the crop of unplanted beans to be grown in Chile for Japanese consumption? Why should the Government of the United States be compelled to issue many billions of dollars every year to pay the debts of one foreigner to another foreigner? Was it for this that our national-bank depositors had their money taken out of our banks and shipped abroad? Was it for this that they had to lose it? Why should the public credit of the United States Government and likewise money belonging to our national-bank depositors be used to support foreign brewers, narcotic drug vendors, whiskey distillers, wigmakers, human-hair merchants, Chilean bean growers, and the like? Why should our national-bank depositors and our Government be forced to finance the munition factories of Germany and Soviet Russia?

Mr. Chairman, if a German in Germany, wishes to sell wheelbarrows to another German, he can draw a bill in dollars and get the money out of the Federal Reserve banks before an American farmer could explain his request for a loan to move his

crop to market. In Germany, when credit instruments are being given, the creditors say, "See you, it must be of a kind that I can cash at the reserve." Other foreigners feel the same way. The reserve to which these gentry refer is our reserve, which, as you know, is entirely made up of money belonging to American bank depositors. I think foreigners should cash their own trade paper and not send it over here to bankers who use it to fish cash out of the pockets of the American people.

Mr. Chairman, there is nothing like the Federal Reserve pool of confiscated bank deposits in the world. It is a public trough of American wealth in which foreigners claim rights equal to or greater than those of Americans. The Federal Reserve banks are agents of the foreign central banks. They use our bank depositors' money for the benefit of their foreign principals. They barter the public credit of the United States Government and hire it out to foreigners at a profit to themselves.

All this is done at the expense of the United States Government, and at a sickening loss to the American people. Only our great wealth enabled us to stand the drain of it as long as we did.

I believe that the nations of the world would have settled down after the World War more peacefully if we had not had this standing temptation here -- this pool of our bank depositors' money given to private interests and used by them in connection with illimitable drafts upon the public credit of the United States Government. The Federal Reserve Board invited the world to come in and to carry away cash, credit, goods, and everything else of value that was movable. Values amounting to many billions of dollars have been taken out of this country by the Federal Reserve Board and the Federal Reserve banks for the benefit of their foreign principals. The United States has been ransacked and pillaged. Our structures have been gutted and only the walls are left standing. While this crime was being perpetrated everything the world could rake up to sell us was brought in here at our own expense by the Federal Reserve Board and the Federal Reserve banks until our markets were swamped with unneeded and unwanted imported goods priced far above their value and made to equal the dollar volume of our honest exports and to kill or reduce our favorable balance of trade. As agents of the foreign central banks, the Federal Reserve Board and the Federal Reserve banks try by every means within their power to reduce our favorable balance of trade. They act for their foreign principals and they accept fees from foreigners for acting against the best interests of the United States. Naturally there has been great competition among foreigners for the favors of the Federal Reserve Board.

What we need to do is to send the reserves of our national banks home to the people who earned and produced them and who still own them and to the banks which were compelled to surrender them to predatory interests. We need to destroy the Federal Reserve pool, wherein our national-bank reserves are impounded for the benefit of the foreigners. We need to make it very difficult for outlanders to draw money away from us. We need to save America for Americans.

Mr. Chairman, when you hold a \$10 Federal Reserve note in your hand you are holding a piece of paper which sooner or later is going to cost the United States Government \$10 in gold, unless the Government is obliged to give up the gold standard. It is protected by a reserve of 40 per cent. or \$4 in gold. It is based on Limburger cheese, reputed to be in foreign warehouses; or on cans purported to contain peas but which may contain salt water instead; or on horse meat; illicit drugs; bootleggers' fancies; rags and bones from Soviet Russia of which the United States imported over a million dollars' worth last year; on wines, whiskey, natural gas, on goat or dog fur, garlic on the string, or Bombay ducks. If you like to have paper money which is secured by such commodities, you have it in the Federal Reserve note. If you desire to obtain the thing of value upon which this paper currency is based -- that is, the Limburger cheese, the whiskey, the illicit drugs, or any of the other staples -- you will have a very hard time finding them. Many of these worshipful commodities are in foreign countries. Are you going to Germany to inspect her warehouses to see if the specified things of value are there? I think not. And what is more, I do not think you would find them there if you did go.

Immense sums belonging to our national-bank depositors have been given to Germany on no collateral security whatever. The Federal Reserve Board and the Federal Reserve banks have issued United States currency on mere finance drafts drawn by Germans. Billions upon billions of our money has been pumped into Germany and money is still being pumped into Germany by the Federal Reserve Board and the Federal Reserve banks. Her worthless paper is still being negotiated here and renewed here on the public credit of the United States Government and at the expense of the American people. On April 27, 1932, the Federal Reserve outfit sent \$750,000, belonging to American bank depositors, in gold to Germany. A week later, another \$300,000 in gold was shipped to Germany in the same way. About the middle of May \$12,000,000 in gold was shipped to Germany by the Federal Reserve Board and the Federal Reserve banks. Almost every week there is a shipment of gold to Germany. These shipments are not made for profit on the exchange since the German marks are below parity with the dollar.

Mr. Chairman, I believe that the national-bank depositors of the United States are entitled to know what the Federal Reserve Board and the Federal Reserve banks are doing with their money. There are millions of national-bank depositors in this country who do not know that a percentage of every dollar they deposit in a member bank of the Federal Reserve system goes automatically to American agents of the foreign banks and that all their deposits can be paid away to foreigners without their knowledge or consent by the crooked machinery of the Federal Reserve act and the questionable practices of the Federal Reserve Board and the Federal Reserve banks. Mr. Chairman, the American people should be told the truth by their servants in office.

In 1930 we had over half a billion dollars outstanding daily to finance foreign

goods stored in or shipped between countries. In its yearly total, this item amounts to several billion dollars. What goods are those on which the Federal Reserve banks yearly pledge several billions of dollars of the public credit of the United States? What goods are those which are hidden in European and Asiatic storehouses and which have never been seen by any officer of this Government, but which are being financed on the public credit of the United States Government? What goods are those upon which the United States Government is being obligated by the Federal Reserve banks to issue Federal Reserve notes to the extent of several billions of dollars a year?

The Federal Reserve Board and the Federal Reserve banks have been international bankers from the beginning, with the United States Government as their enforced banker and supplier of currency. But it is none the less extraordinary to see those twelve private credit monopolies buying the debts of foreigners against foreigners in all parts of the world and asking the Government of the United States for new issues of Federal Reserve notes in exchange for them.

I see no reason why the American taxpayers should be hewers of wood and drawers of water for the European and Asiatic customers of the Federal Reserve banks. I see no reason why a worthless acceptance drawn by a foreign swindler as a means of getting gold out of this country should receive the lowest and choicest rate from the Federal Reserve Board and be treated as better security than the note of an American farmer living on American land.

The magnitude of the acceptance racket, as it has been developed by the Federal Reserve banks, their foreign correspondents, and the predatory European-born bankers who set up the Federal Reserve institution here and taught our own brand of pirates how to loot the people -- I say the magnitude of this racket is estimated to be in the neighborhood of \$9,000,000,000 a year. In the past ten years it is said to have amounted to \$90,000,000,000. In my opinion, it has amounted to several times as much. Coupled with this you have, to the extent of billions of dollars, the gambling in the United States securities, which takes place in the same open discount market -- a gambling upon which the Federal Reserve Board is now spending \$100,000,000 per week.

Federal Reserve notes are taken from the United States Government in unlimited quantities. Is it strange that the burden of supplying these immense sums of money to the gambling fraternity has at last proved too heavy for the American people to endure? Would it not be a national calamity if the Federal Reserve Board and the Federal Reserve banks should again bind this burden down on the backs of the American people and, by means of the long rawhide whips of the credit masters, compel them to enter another seventeen years of slavery? They are trying to do that now. They are taking \$100,000,000 of the public credit of the United States Government every week in addition to all their other seizures, and they are spending that money in the nefarious open market in New York City in a desperate gamble to reestablish their graft as a going concern.

They are putting the United States Government in debt to the extent of \$100,000,000 a week, and with the money they are buying up our Government securities for themselves and their foreign principals. Our people are disgusted with the experiments of the Federal Reserve Board. The Federal Reserve Board is not producing a loaf of bread, a yard of cloth, a bushel of corn, or a pile of cordwood by its check-kiting operations in the money market.

A fortnight or so ago great aid and comfort was given to Japan by the firm of A. Gerli & Sons, of New York, an importing firm, which bought \$16,000,000 worth of raw silk from the Japanese Government. Federal Reserve notes will be issued to pay that amount to the Japanese Government, and these notes will be secured by money belonging to our national-bank depositors.

Why should United States currency be issued on this debt? Why should United States currency be issued to pay the debt of Gerli & Sons to the Japanese Government? The Federal Reserve Board and the Federal Reserve banks think more of the silkworms of Japan than they do of American citizens. We do not need \$16,000,000 worth of silk in this country at the present time, not even to furnish work to dyers and finishers. We need to wear home-grown and American-made clothes and to use our own money for our own goods and staples. We could spend \$16,000,000 in the United States of America on American children and that would be a better investment for us than Japanese silk purchased on the public credit of the United States Government.

Mr. Speaker, on the 13th of January of this year I addressed the House on the subject of the Reconstruction Finance Corporation. In the course of my remarks I made the following statement:

In 1928 the member banks of the Federal Reserve system borrowed \$60,598,690,000 from the Federal Reserve banks on their fifteen-day promissory notes. Think of it! Sixty billion dollars payable upon demand in gold in the course of one single year. The actual payment of such obligations calls for six times as much monetary gold as there is in the entire world. Such transactions represent a grant in the course of one single year of about \$7,000,000 to every member bank of the Federal Reserve system. Is it any wonder that there is a depression in this country? Is it any wonder that American labor, which ultimately pays the cost of all banking operations of this country, has at last proved unequal to the task of supplying this huge total of cash and credit for the benefit of the stock-market manipulators and foreign swindlers?

Mr. Chairman, some of my colleagues have asked for more specific information concerning this stupendous graft, this frightful burden which has been placed on the wage earners and taxpayers of the United States for the benefit of the Federal Reserve Board and the Federal Reserve banks. They were surprised to learn that member banks of the Federal Reserve system had received the enormous sum of \$60,598,690,000 from the Federal Reserve Board and the Federal Reserve banks on their promissory notes in the course of one single year, namely, 1928. Another Member of this House, Mr. Beedy, the honorable gentleman from Maine, has

questioned the accuracy of my statement and has informed me that the Federal Reserve Board denies absolutely that these figures are correct. This Member has said to me that the thing is unthinkable, that it can not be, that it is beyond all reason to think that the Federal Reserve Board and the Federal Reserve banks should have so subsidized and endowed their favorite banks of the Federal Reserve system. This Member is horrified at the thought of a graft so great, a bounty so detrimental to the public welfare as sixty and a half billion dollars a year and more shoveled out to favored banks of the Federal Reserve system.

In 1930, while the speculating banks were getting out of the stock market at the expense of the general public, the Federal Reserve Board and the Federal Reserve banks advanced them \$13,022,782,000. This shows that when the banks were gambling on the public credit of the United States Government as represented by the Federal Reserve currency, they were subsidized to any amount they required by the Federal Reserve Board and the Federal Reserve banks. When the swindle began to fall, the bankers knew it in advance and withdrew from the market. They got out with whole skins and left the people of the United States to pay the piper.

On November 2, 1931, I addressed a letter to the Federal Reserve Board asking for the aggregate total of member bank borrowing in the years 1928, 1929, 1930. In due course, I received a reply from the Federal Reserve Board, dated November 9, 1931, the pertinent part of which reads as follows:

My Dear Congressman:

In reply to your letter of November 2, you are advised that the aggregate amount of fifteen-day promissory notes of member banks during each of the past three calendar years has been as follows:

1928 . . . . .	\$60,598,690,000
1929 . . . . .	58,046,697,000
1930 . . . . .	13,022,782,000

This will show the gentleman from Maine the accuracy of my statement. As for the denial of these facts made to him by the Federal Reserve Board, I can only say that it must have been prompted by fright, since hanging is too good for a Government board which permitted such a misuse of Government funds and credit.

My friend from Kansas, Mr. McGugin, has stated that he thought the Federal Reserve Board and the Federal Reserve banks lent money by rediscounting. So they do, but they lend comparatively little that way. The real rediscounting that they do has been called a mere penny in the slot business. It is too slow for genuine high flyers. They discourage it. They prefer to subsidize their favorite banks by making these \$60,000,000,000 advances, and they prefer to acquire acceptances in the notorious open discount market in New York, where they can use them to control the prices of stocks and bonds on the exchanges. For every dollar they advanced on rediscounts in 1928 they lent \$33 to their favorite banks for gambling purposes. In other words, their rediscounts in 1928 amounted to \$1,814,271,000, while their loans to member banks

amounted to \$60,598,690,000. As for their open-market operations, these are on a stupendous scale, and no tax is paid on the acceptances they handle; and their foreign principals, for whom they do a business of several billion dollars every year, pay no income tax on their profits to the United States Government.

This is the John Law swindle all over again. The theft of Teapot Dome was trifling compared to it. What king ever robbed his subjects to such an extent as the Federal Reserve Board and the Federal Reserve banks have robbed us? Is it any wonder that there have lately been ninety cases of starvation in one of the New York hospitals? Is there any wonder that the children of this country are being dispersed and abandoned?

The Government and the people of the United States have been swindled by swindlers deluxe to whom the acquisition of American gold or a parcel of Federal Reserve notes presented no more difficulty than the drawing up of a worthless acceptance in a country not subject to the laws of the United States, by sharpers not subject to the jurisdiction of the United States courts, sharpers with a strong banking "fence" on this side of the water -- a "fence" acting as a receiver of the worthless paper coming from abroad, endorsing it and getting the currency out of the Federal Reserve banks for it as quickly as possible, exchanging that currency for gold, and in turn transmitting the gold to its foreign confederates.

Such were the exploits of Ivar Kreuger, Mr. Hoover's friend, and his hidden Wall Street backers. Every dollar of the billions Kreuger and his gang drew out of this country on acceptances was drawn from the Government and the people of the United States through the Federal Reserve Board and the Federal Reserve banks. The credit of the United States Government was peddled to him by the Federal Reserve Board and the Federal Reserve banks for their own private gain. That is what the Federal Reserve Board and the Federal Reserve banks have been doing for many years. They have been peddling the credit of this Government and the signature of this Government to the swindlers and speculators of all nations. That is what happens when a country forsakes its *Constitution* and gives its sovereignty over the public currency to private interests. Give them the flag and they will sell it.

The nature of Kreuger's organized swindle and the bankrupt condition of Kreuger's combine was known here last June when Hoover sought to exempt Kreuger's loan to Germany of \$125,000,000 from the operation of the Hoover moratorium. The bankrupt condition of Kreuger's swindle was known here last summer when \$30,000,000 was taken from the American taxpayers by certain bankers in New York for the ostensible purpose of permitting Kreuger to make a loan to Colombia. Colombia never saw that money. The nature of Kreuger's swindle and the bankrupt condition of Kreuger was known here in January when he visited his friend, Mr. Hoover, at the White House. It was known here in March before he went to Paris and committed suicide there.

Mr. Chairman, I think the people of the United States are entitled to know how

many billions of dollars were placed at the disposal of Kreuger and his gigantic combine by the Federal Reserve Board and the Federal Reserve banks and to know how much of our Government currency was issued and lost in the financing of that great swindle in the years during which the Federal Reserve Board and the Federal Reserve banks took care of Kreuger's requirements.

Mr. Chairman, I believe there should be a congressional investigation of the operations of Kreuger and Toll in the United States and that Swedish Match, International Match, the Swedish-American Investment Corporation, and all related enterprises, including the subsidiary companies of Kreuger and Toll, should be investigated and that the issuance of United States currency in connection with those enterprises and the use of our national-bank depositors' money for Kreuger's benefit should be made known to the general public. I am referring, not only to the securities which were floated and sold in this country, but also to the commercial loans to Kreuger's enterprises and the mass financing of Kreuger's companies by the Federal Reserve Board and the Federal Reserve banks and the predatory institutions which the Federal Reserve Board and the Federal Reserve banks shield and harbor.

A few days ago, the President of the United States, with a white face and shaking hands, went before the Senate on behalf of the moneyed interests and asked the Senate to levy a tax on the people so that foreigners might know that the United States would pay its debt to them. Most Americans thought it was the other way around. What do the United States owe to foreigners? When and by whom was the debt incurred? It was incurred by the Federal Reserve Board and the Federal Reserve banks when they peddled the signature of this Government to foreigners for a price. It is what the United States Government has to pay to redeem the obligations of the Federal Reserve Board and the Federal Reserve banks. Are you going to let those thieves get off scot free? Is there one law for the looter who drives up to the door of the United States Treasury in his limousine and another for the United States veterans who are sleeping on the floor of a dilapidated house on the outskirts of Washington?

The Baltimore & Ohio Railroad is here asking for a large loan from the people and the wage earners and the taxpayers of the United States. It is begging for a hand-out from the Government. It is standing, cap in hand, at the door of the Reconstruction Finance Corporation, where all the other jackals have gathered to the feast. It is asking for money that was raised from the people by taxation, and wants this money of the poor for the benefit of Kuhn, Loeb, & Co., the German international bankers. Is there one law for the Baltimore & Ohio Railroad and another for the needy veterans it threw off its freight cars the other day? Is there one law for sleek and prosperous swindlers who call themselves bankers and another law for the soldiers who defended the United States flag?

Mr. Chairman, some people are horrified because the collateral behind Kreuger and Toll debentures was removed and worthless collateral substituted for it. What is this but what is being done daily by the Federal Reserve banks? When the Federal

Reserve act was passed, the Federal Reserve banks were allowed to substitute "other like collateral" for collateral behind Federal Reserve notes but by an amendment obtained at the request of the corrupt and dishonest Federal Reserve Board, the act was changed so that the word "like" was stricken out. All that immense trouble was taken here in Congress so that the law would permit the Federal Reserve banks to switch collateral. At the present time behind the scenes in the Federal Reserve banks there is a night-and-day movement of collateral. A visiting Englishman, leaving the United States a few weeks ago, said that things would look better here after "they cleaned up the mess at Washington." Cleaning up the mess consists in fooling the people and making them pay a second time for the bad foreign investments of the Federal Reserve Board and the Federal Reserve banks. It consists in moving that heavy load of dubious and worthless foreign paper -- the bills of wigmakers, brewers, distillers, narcotic-drug vendors, munition makers, illegal finance drafts, and worthless foreign securities, out of the banks and putting it on the back of American labor. That is what the Reconstruction Finance Corporation is doing now. They talk about loans to banks and railroads but they say very little about that other business of theirs which consists in relieving the swindlers who promoted investment trusts in this country and dumped worthless foreign securities into them and then resold that mess of pottage to American investors under cover of their own corporate titles. The Reconstruction Finance Corporation is taking over those worthless securities from those investment trusts with United States Treasury money at the expense of the American taxpayer and the wage earner.

It will take us twenty years to redeem our Government. Twenty years of penal servitude to pay off the gambling debts of the traitorous Federal Reserve Board and the Federal Reserve banks and to earn again that vast flood of American wages and savings, bank deposits, and United States Government credit which the Federal Reserve Board and the Federal Reserve banks exported out of this country to their foreign principals.

The Federal Reserve Board and the Federal Reserve banks lately conducted an anti-hoarding campaign here. Then they took that extra money which they had persuaded the American people to put into the banks and they sent it to Europe along with the rest. In the last several months, they have sent \$1,300,000,000 in gold to their foreign employers, their foreign masters, and every dollar of that gold belonged to the people of the United States and was unlawfully taken from them.

Is not it high time that we had an audit of the Federal Reserve Board and the Federal Reserve banks and an examination of all our Government bonds and securities and public moneys instead of allowing the corrupt and dishonest Federal Reserve Board and the Federal Reserve banks to speculate with those securities and this cash in the notorious open discount market of New York City?

Mr. Chairman, within the limits of the time allowed me, I can not enter into a particularized discussion of the Federal Reserve Board and the Federal Reserve banks.

I have singled out the Federal Reserve currency for a few remarks because there has lately been some talk here of "fiat money." What kind of money is being pumped into the open discount market and through it into foreign channels and stock exchanges? Mr. Mills of the Treasury has spoken here of his horror of the printing presses and his horror of dishonest money. He has no horror of dishonest money. If he had, he would be no party to the present gambling of the Federal Reserve Board and the Federal Reserve banks in the nefarious open discount market of New York, a market in which the sellers are represented by ten great discount dealer corporations owned and organized by the very banks which own and control the Federal Reserve Board and the Federal Reserve banks. Fiat money, indeed!

After the several raids on the Treasury Mr. Mills borrows the speech of those who protested against those raids and speaks now with pretended horror of a raid on the Treasury. Where was Mr. Mills last October when the United States Treasury needed \$598,000,000 of the taxpayers' money which was supposed to be in the safe-keeping of Andrew W. Mellon in the designated depositories of Treasury funds, and which was not in those depositories when the Treasury needed it? Mr. Mills was the Assistant Secretary of the Treasury then, and he was at Washington throughout October, with the exception of a very significant week he spent at White Sulphur Springs closeted with international bankers, while the Italian minister, Signor Grandi, was being entertained -- and bargained with -- at Washington.

What Mr. Mills is fighting for is the preservation whole and entire of the banker's monopoly of all the currency of the United States Government. What Mr. Patman proposes is that the Government shall exercise its sovereignty to the extent of issuing some currency for itself. This conflict of opinion between Mr. Mills as the spokesman of the bankers and Mr. Patman as the spokesman of the people brings the currency situation here into the open. Mr. Patman and the veterans are confronted by a stone wall -- the wall that fences in the bankers with their special privileges. Thus, the issue is joined between the host of democracy, of which the veterans are a part, and the men of the king's bank, the would-be aristocrats, who deflated American agriculture and robbed this country for the benefit of their foreign principals.

Mr. Chairman, last December, I introduced a resolution here asking for an examination and an audit of the Federal Reserve Board and the Federal Reserve banks and all related matters. If the House sees fit to make such an investigation, the people of the United States will obtain information of great value. This is a Government of the people, by the people, for the people. Consequently, nothing should be concealed from the people. The man who deceives the people is a traitor to the United States. The man who knows or suspects that a crime has been committed and who conceals or covers up that crime is an accessory to it. Mr. Speaker, it is a monstrous thing for this great Nation of people to have its destinies presided over by a traitorous Government board acting in secret concert with international usurers. Every effort has been made by the Federal Reserve Board to conceal its power but the truth is the

Federal Reserve Board has usurped the Government of the United States. It controls everything here and it controls all our foreign relations. It makes and breaks governments at will. No man and no body of men is more entrenched in power than the arrogant credit monopoly which operates the Federal Reserve Board and the Federal Reserve banks. These evil-doers have robbed this country of more than enough money to pay the national debt. What the National Government has permitted the Federal Reserve Board to steal from the people should now be restored to the people. The people have a valid claim against the Federal Reserve Board and the Federal Reserve banks. If that claim is enforced, Americans will not need to stand in the breadlines or to suffer and die of starvation in the streets. Homes will be saved, families will be kept together, and American children will not be dispersed and abandoned. The Federal Reserve Board and the Federal Reserve banks owe the United States Government an immense sum of money. We ought to find out the exact amount of the people's claim. We should know the amount of the indebtedness of the Federal Reserve Board and the Federal Reserve banks to the people and we should investigate this treacherous and disloyal conduct of the Federal Reserve Board and the Federal Reserve banks.

Here is a Federal Reserve note. Immense numbers of these notes are now held abroad. I am told that they amount to upwards of a billion dollars. They constitute a claim against our Government and likewise a claim against the money our people have deposited in the member banks of the Federal Reserve system. Our people's money to the extent of \$1,300,000,000 which has within the last few months been shipped abroad to redeem Federal Reserve notes and to pay other gambling debts of the traitorous Federal Reserve Board and the Federal Reserve banks. The greater part of our monetary stock has been shipped to foreigners. Why should we promise to pay the debts of foreigners to foreigners? Why should our Government be put into the position of supplying money to foreigners? Why should the Federal Reserve Board and the Federal Reserve banks be permitted to finance our competitors in all parts of the world? Do you know why the tariff was raised? It was raised to shut out the flood of Federal Reserve goods pouring in here from every quarter of the globe -- cheap goods, produced by cheaply paid foreign labor on unlimited supplies of money and credit sent out of this country by the dishonest and unscrupulous Federal Reserve Board and the Federal Reserve banks. Go out in Washington to buy an electric light bulb and you will probably be offered one that was made in Japan on American money. Go out to buy a pair of fabric gloves and inconspicuously written on the inside of the gloves that will be offered to you will be found the words "made in Germany" and that means "made on the public credit of the United States Government paid to German firms in American gold taken from the confiscated bank deposits of the American people."

The Federal Reserve Board and the Federal Reserve banks are spending \$100,000,000 a week buying Government securities in the open market and are

making a great bid for foreign business. They are trying to make rates so attractive that the human-hair merchants and distillers and other business entities in foreign lands will come here and hire more of the public credit of the United States Government and pay the Federal Reserve outfit for getting it for them.

Mr. Chairman, when the Federal Reserve act was passed, the people of the United States did not perceive that a world system was being set up here which would make the savings of an American school-teacher available to a narcotic-drug vendor in Macao. They did not perceive that the United States were to be lowered to the position of a coolie country which has nothing but raw materials and heavy goods for export; that Russia was destined to supply the man power and that this country was to supply financial power to an international superstate -- a superstate controlled by international bankers and international industrialists acting together to enslave the world for their own pleasure.

The people of the United States are being greatly wronged. If they are not, then I do not know what "wronging the people" means. They have been driven from their employments. They have been dispossessed of their homes. They have been evicted from their rented quarters. They have lost their children. They have been left to suffer and to die for lack of shelter, food, clothing, and medicine.

The wealth of the United States and the working capital of the United States has been taken away from them and has either been locked in the vaults of certain banks and the great corporations or exported to foreign countries for the benefit of the foreign customers of those banks and corporations. So far as the people of the United States are concerned, the cupboard is bare. It is true that the warehouses and coal yards and grain elevators are full, but the warehouses and coal yards and grain elevators are padlocked and the great banks and corporations hold the keys. The sack of the United States by the Federal Reserve Board and the Federal Reserve banks is the greatest crime in history.

Mr. Chairman, a serious situation confronts the House of Representatives to-day. We are trustees of the people and the rights of the people are being taken away from them. Through the Federal Reserve Board and the Federal Reserve banks, the people are losing the rights guaranteed to them by the *Constitution*. Their property has been taken from them without due process of law. Mr. Chairman, common decency requires us to examine the public accounts of the Government and see what crimes against the public welfare have and are being committed.

What is needed here is a return to the *Constitution* of the United States. We need to have a complete divorce of Bank and State. The old struggle that was fought out here in Jackson's day must be fought over again. The independent United States Treasury should be re-established and the Government should keep its own money under lock and key in the building the people provided for that purpose. Asset currency, the device of the swindler, should be done away with. The Government should buy gold and issue United States currency on it. The business of the

independent bankers should be restored to them. The State banking systems should be freed from coercion The Federal Reserve districts should be abolished and the State boundaries should be respected. Bank reserves should be kept within the borders of the States whose people own them, and this reserve money of the people should be protected so that the international bankers and acceptance bankers and discount dealers can not draw it away from them. The exchanges should be closed while we are putting our financial affairs in order. The Federal Reserve act should be repealed and the Federal Reserve banks, having violated their charters, should be liquidated immediately. Faithless Government officers who have violated their oaths of office should be impeached and brought to trial. Unless this is done by us, I predict that the American people, outraged, robbed, pillaged, insulted, and betrayed as they are in their own land, will rise in their wrath and send a President here who will sweep the money changers out of the temple.

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[Facsimile](#) of the Congressional Record, 1932, pages 12595 and 12596