

'THE MENACE OF MONEY POWER'

A LETTER TO THE EDITOR

In the May and June 1946 issues of *BLACKFRIARS* there appeared an article called *The Menace of Money* by A. K. Chesterton. This article contained many inaccurate statements and allegations about the American banking system, and especially about Jewish bankers. The following facts should therefore be made known.

1—Regarding the alleged quotation from the '*U.S.A. Bankers' Magazine*, August 26th, 1934' I quote a letter from Mr Keith Warren, the publisher of this magazine:¹

'The quotation mentioned in your letter crops up several times every year in some part of the world. Needless to say it never appeared in our publication except possibly to refute its original publication.

'The latest quotation is attributed to *The Bankers Magazine* for August 25, 1934. Obviously no such date exists as our publication is a monthly and the date of the month never appears. The August issue contains no such statement and *The Bankers Magazine* has never expressed such views. . . .'

As a further check on this supposed quotation, the following letter was received by *Bankers Magazine* from a reader in Australia—where the same 'quotation' recently appeared:

'I am engaged in public correspondence with a Mr George Bengtsson of Stoney Creek, Gippsland, Victoria, who has made a statement which he claims was taken from your magazine of August 20th, 1934. The correspondence is published in the *Countryman*, the official organ of the Country Party of Victoria, Australia. . . . I am in consequence very anxious to have some verification or otherwise of Mr Bengtsson's statement. This statement, which appeared in a letter over his name and dated 4th May, 1945, reads as follows: (here is quoted the passage referred to above).

'On May 18th 1945, Mr Bengtsson further wrote: "The quotation itself is taken out of the *New World Charter* and is a reprint from the United States bankers' journal, 1934. This journal is in the hands of a delegate to the Ballarat conference now. . . ."

2—As to the alleged quotation from the 'American Banking Association' (*American Bankers' Association* is the correct name) in 1893 telling their members to create a monetary stringency, the only recorded communication sent out by the Association in that year on the subject of the Silver Act reads as follows:

'The extraordinary monetary crisis through which the United States is now passing, which involves the banks of the country to

¹The Editor regrets that owing to a misunderstanding the following footnote attached to this quotation by Mr Chesterton was omitted in the May issue: 'Doubt has since been cast on the authenticity of this quotation, but that it is, in any case, an authentic explanation of the aims and methods employed admits of no doubt'.

an extent that compels their officers to remain constantly at the post of duty while the danger is imminent, has constrained the American Bankers' Association to indefinitely postpone its annual convention called for the 6th and 7th prox., at Chicago. This will prevent such expression upon the part of the Association as the financial situation demands, which would otherwise be made. It thus becomes the duty of the officers of the Association to speak for it at this time, and suggest what seems to them to be the proper action for the bankers of the country to immediately take with a view to obtaining speedy relief from the continued and disastrous stringency.

'It is manifest that the immediate cause of the prolonged stringency is the fear and apprehension of disaster engendered in the minds of the people by the continued purchase of silver by the Government, and by the unceasing issues of its obligations therefor, redeemable in gold, which fear and apprehension can only be removed and confidence restored by the removal of the cause. It is believed that the bankers of the country will understand and realize this to as great, if not a greater, extent than any other class of citizens, and it therefore becomes the duty of such of them as fully realise this to urge upon their fellow-citizens, and upon Congress, the great necessity for the immediate and unconditional repeal of the purchasing clause of the Sherman Silver Act.

'The repeal of this clause is demanded in the interests of those favoring a gold standard and of those favoring the use of silver with gold, as the continued purchase of enormous quantities of silver with gold obligations can only result in the final inability of the Government to redeem such obligations in gold, and in the continued over-production and consequent further depreciation of silver, thus rendering the prospect of any international agreement for its more general use throughout the world more hopeless than at present.

'The President of the United States having convened Congress in extra session and recommended to it such repeal, the power of public opinion should be brought to bear upon Congress to induce favorable action thereon. This may best be done by invoking the aid of the Press, and by citizens writing to their Senators and Representatives, and by sending to them petitions urging such repeal; all of which should be done to the fullest extent possible and without delay.

'A blank form of petition is enclosed to be circulated among merchants, business men and others for their signatures, to which additional sheets may be appended. Act at once in the matter and secure the intelligent cooperation of others, providing them with printed or typewritten copies of the petition for the purpose.' [The Petition is here quoted.]

The contrast between these documents and the 'quotation' in Mr Chesterton's article is so marked as to indicate they could scarcely have come from the same source, even if the American Bankers' Association had the power over its members which Mr Chesterton implies. Actually there were not five or six big banks in this country,

as in England, but thousands of small competing banks which would have lost so much money as to have to go out of business if they attempted any such manoeuvre as Mr Chesterton describes. Banks lose as heavily in depressions as anyone else. Certainly, therefore, banks would have no incentive to precipitate depressions.

3—As to the 1892 railroad reorganisations, supposedly engineered by Kuhn Loeb and Company, that banking house was a comparatively minor factor in American railroad finance—the outstanding names being those of J. P. Morgan and E. H. Harriman. All of these railroad transactions were reviewed by the American courts. . . .

4—The Federal Reserve Act was framed by a committee—of which the outstanding members were Professor H. Parker Willis and Senator Carter Glass. Its purpose was to assure a sufficiency of bank credit at the seasons of the year when this had been scarce under our old National Bank Laws. No banking system, of itself, can assure a stable price level. If the Act had been passed with this proviso, it could only have misled the public. Nor is the 'power to fix the discount rate' necessarily the 'power to determine the amount of money in existence'. For the last fourteen years, for example, there has been almost no discounting done at the Federal Reserve Banks, while the supply of money has expanded beyond all recognition. For practical purposes, the Federal Reserve Banks, are really Government dominated institutions—which is one of the reasons why the big private banks like Morgan and Company did not join the Federal Reserve system until very recently, and Kuhn Loeb is still not a member.

5—The Russian Government which was financed partly by American capital (Government funds, by the way, not Kuhn Loeb funds) was the moderate democratic Kerensky Government—not the Bolshevik revolution. The canard that Kuhn Loeb and other Jewish international bankers financed the Bolshevik revolution has been thoroughly exploded, and full evidence of this can doubtless be obtained in British libraries. Father Coughlin was originally responsible for circulating these charges in America as I believe Father Denis Fahey has done in Ireland—but their sources were shown up as wholly spurious by Monsignor John A. Ryan of the Catholic University in an article in *Commonweal*, 30th December, 1938, and in other of his writings. As a matter of fact, Father Coughlin was quoting verbatim from a Nazi propaganda bulletin, *World Service*, whose admitted purpose was to 'enlighten ill-informed Gentiles' on the 'machinations of the Jewish underworld'.

6—As to the allegation that bankers thrive on war, it may be worth pointing out that wars have almost invariably resulted in the taking over of banking systems by governments for purposes of currency inflation. . . .

7—The charges about the Federal Reserve Board and bankers bringing on the 'panic of 1931' have already been covered implicitly under section 2. That bankers were over-optimistic in extending credits in the previous booms is undoubtedly true; but it is also true

that great pressure was put on them to do so, by business men and others greedy for profits.

8—Regarding the \$30 billion figure of cash advances to Germany, probably the Congressman (or Mr Chesterton) confused dollars with worthless German marks which ran into trillions.

9—The loss by Great Britain of her foreign assets was a painful consequence of the decision to pursue, alone, the fight against Nazi Germany. That decision was heroic, and is occasionally lost sight of in America. But to describe it as the deliberate result of scheming by American bankers seems wholly unwarranted, except on Mr Chesterton's own assumption that the war, itself, was deliberately precipitated by these same bankers. America, too, has suffered heavy (and perhaps irreparable) losses as a result of the war.

10—The Bretton Woods Agreements—far from being the product of international bankers—were the result of distinctly anti-bank leaders in the U.S. Treasury department and the British Exchequer. Feeling against the agreements ran so high here that one famous American banker of long experience actually committed suicide when he found how little attention was given to his advice or testimony! Not a single member of the Federal Bank Reserve of New York—which had always conducted the mechanics of overseas finance—was included at the Bretton Woods Conference, nor was there a single 'orthodox' economist in the American delegation. Lord Keynes knew quite well what he was doing when he championed the Agreements. They were virtually his 'baby'. The American Bankers Association published a long and thoughtful report, showing why they opposed the International Monetary Fund altogether and supported the Bank only reluctantly. But the Treasury department spent millions of dollars on propaganda for the Agreements, managed to get organisations of housewives, ministers, school children and even some small bankers to support them under the slogan 'Bretton Woods or Chaos' and finally forced the Bills through the U.S. Congress.

11—*About gold*, it is quite true that opposition to Bretton Woods by conservative economists and bankers in the United States has been on opposite grounds from a good deal of British opposition. Here, the plan is criticised as being tantamount to world-wide currency inflation, practically divorced from gold. In England the opposition is directed against the Agreements as being a return to the gold standard. Both criticisms cannot be true.

There is not space to answer every point raised by Mr Chesterton nor has it been possible to verify all the sources he quotes. However, I think enough has been covered here to show that the article is reliable neither as to fact nor as to interpretation.

Thanking you for any space you can give to this comment on Mr Chesterton's article, I am, etc.

JOSEPH M. CALDERON,

30th August, 1946.

People and Freedom, New York.