The Year 1933 in the US

The pretense of emergency, played out in the US in 1933 as it had in Germany, symptom of a globally concerted effort. In fact, momentous changes affected the US in 1933. This may be remembered as the year in which Prohibition was stopped, a sideshow of what remained a curiously American experiment, doomed to fail from the start. Other changes were of far greater consequence, as can be seen from some surface symptoms.

America had its own Reichstag fire. Every time Hoover had pressed for a commitment to the gold standard, he found FDR completely noncommittal. He had been unwilling to do so when asked by advisers in mid-October 1932. He stated he could not foresee whether the country would be committed to it on March 4, 1933. In January of the next year he still kept the same line, which was not likely to reassure investors. By February withdrawals of currency had reached $ 10 to 15 million and showed an inclination to rise.[1]

In the last weeks before the change of the guard, Hoover enlisted Bernard Baruch's help in soliciting FDR to pronounce himself on his plans. Notice in passing a common theme: a well-meaning President asking for help from someone whose agenda stands completely at odds with his own. Part of this scenario lies in hardly having any other alternative. Obviously the effort failed. On Feb 28th Hoover asked the Federal Reserve Board to offer temporary federal guarantee of each depositor's account. On March 2nd withdrawals had climbed to $ 200 million and a Federal Reserve official urged Hoover for a banking holiday.[2] FDR still refused to come out of silence. On the other hand he already took steps to discuss a suspension of banking in New York with Governor Herbert Lehman.

On March third, at 1:30 am Eugene Meyer, Chairman of the Federal Reserve, requested [by letter] of Hoover an executive order to shut down every bank in the land because of a complete exhaustion of gold reserves. Hoover rejected it.[3] Notice that the credit expansion imposed by the Fed easily explains the depletion of gold reserves.

By the day Hoover left the presidency more than 80% of the banks were still meeting all depositors demands. Hoover refused to declare a bank holiday but constantly proposed until the very end to put into effect the executive order controlling withdrawals and exchanges, pending Roosevelt's approval. That would have effectively prevented practically all the banks from closing and given them time for the panic to subside. At the

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[1] Richard Norton Smith, *An Uncommon Man* 155.
[2] Richard Norton Smith, *An Uncommon Man* 159-160.
[3] Richard Norton Smith, *An Uncommon Man* 161.

last moment Hoover called Roosevelt on the telephone, and he, in the presence of Senator Glass, again declined.

The same night FDR disclosed to Glass that he intended to close all banks. To the Senator's objection that he had no authority for that step, FDR argued that he actually did under the Enemy Trading Act, approved during World War I. The act was intended for war time use, though it was never rescinded.[4] This was exactly what FDR did immediately after the inauguration using the act in time of peace for a highly questionable measure. He was thus planning to take credit for the rescue of the banking system.

Interestingly on March 4th an American ship in New York harbor was loading $ 9 million worth of gold destined to Europe.[5] Why this movement of gold will appear more clearly in Chapter 7. On march 9th, on the brink of reopening the banks FDR declared: "Too often in recent history, liberal governments have been wrecked on rocks of loose fiscal policy" a clear reference to Hoover's 'irresponsible' fiscal policies.[6]

That the closing was completely unnecessary is proved by the fact that the sum total of banks and institutions carrying 98% of the deposits paid off their depositors. Even many of the remaining 2% did recover.[7] No such measure had been necessary in similar or worse situations, such as the stock market collapse of October 1929, the financial collapse of Britain in September 1931—when Britain went off the gold standard—nor at the bottom of the depression in June 1932. The bank holiday may not have been necessary per se, but it was the prerequisite of many other changes to occur in quick succession.

The recourse to emergency was done during the years 1933-34 to justify over two hundred Executive Orders. And the word was used in the same years more than four hundred times in public statements.[8] In Atlanta in December 1935, FDR invoked the emergency in justifying all the steps taken thus "The mechanics of civilization came to a dead stop on March 3, 1933."[9]

World Economic Conference

It was Hoover, together with Prime Minister Ramsay MacDonald, who convoked the World Economic Conference (WEC) for January 1933. The goals it wanted to address were stabilization of currencies and reduction of

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[4] The conversation is recorded in the authorized Carter Glass biography by Rixey Smith and Norman Beasley, quoted in Gene Smith, *The Shattered Dream*, 213.

[5] Richard Norton Smith, *An Uncommon Man*, 162.

[6] Richard Norton Smith, *An Uncommon Man* 171.

[7] Gene Smith, *The Shattered Dream* 215, 366

[8] Gene Smith, *The Shattered Dream* 357.

[9] Gene Smith, *The Shattered Dream* 358.

trade barriers—quotas, tariffs, cartels. On July 3, 1933, FDR had first spoken of the positive effects of stabilizing the currencies: "Our broad purpose is the permanent stabilization of every nation's currency... When the world works out concerted policies in the majority of nations to produce balanced budgets and living within their means, then we can properly discuss a better distribution of the world gold and silver supply to act as a reserve base of national currencies."[10] The President was still paying lip service to the conference whereas in fact his administration's managed currency policies, of which more below, would quietly undermined it.

The failure of the WEC to bring concerted action slowed down economic recovery of all nations and played in favor of dictator nations, primarily Germany, Italy and Japan. They felt spurred to continue their military build-ups and their attempts toward self-sufficiency. Hoover assessed that FDR "had not only destroyed the Conference and violated all his pledges to the foreign ministers, but also brought a great calamity on the whole world. For, by his actions, the world's greatest producer and the world's greatest market told other nations that it would carry on its economic war of currencies, repudiate its pledged word, break faith with any or all of them, and that it was none of their business."[11] The road to isolationism leading to higher tariffs, quotas and economic discriminations, and the unbridled policy of currency inflation would lead first to economic war then to the natural, logical, sequel of world war.

The policies of managed currency implied changes in relation to gold. In January of 1934 the Gold Reserve Act gave the government title to the whole stock of monetary gold, which allowed it to manage—devaluate—the dollar. During the first months of FDR's administration a few people decided on the price of gold and consequently of the dollar. The US government set out to buy gold, and each day the Secretary of the Treasury and other fiscal advisers would meet with the President to set the gold's price, the intention being to hinder speculation. One morning FDR suggested the price be raised by twenty-one cents. When asked by Henry Morgenthau why he replied that, being three times seven, it was a lucky number. Henry Morgenthau confided to his diaries 'If anybody ever knew how we really set the gold price through a combination of lucky numbers etc. I think they would really be frightened.'"[12] But he rather enjoyed the shock he thought this policy caused the international bankers.

All the steps had been laid out for a banking crisis and for a dramatic perception of FDR's savior role. This climate would roll a red carpet for a previously conceived New Deal plan. Indirect confirmation of this came through FDR's adviser Rexford Tugwell who stated that the whole system should come to a collapse on March 4, 1933, and that the new President

[10] Gene Smith, *The Shattered Dream* 366.
[11] Gene Smith, *The Shattered Dream* 368.
[12] Andrew Boyle, *Montagu Norman: A Biography* 288.

should clearly show where lay blame and responsibilities—on Hoover's lap.[13]

<u>The first One Hundred Days</u>

FDR's campaign promises in 1932 were the repeal of Prohibition and a 25% reduction of government spending. Reality would prove vastly different: by the end of his second term spending had registered a 225% increase.[14] Even this number might be a very conservative estimate given the accounting changes introduced by the New Deal.[15] For the deeper goals of the New Deal to be reached change had to be introduced fast, almost before Americans had the time to wake up and realize what was happening to them. Under the emergency alarm the administration rolled out a host of preset policies in the first hundred days.

Democratic NY State Governor Alfred Smith, looking back to the first years of the New Deal recognized that all bills were drafted by the brain trust of the Administration and sent to Congress for speedy approval, "I can safely say without 90 per cent of them knowing what was in the bills… " The same is asserted by New Dealer Raymond Moley in relation to the crucial Securities Act of 1933 which handed a free pass to the largest corporations and Wall Street bankers: "The bill was hastily passed."[16] In his first term alone FDR issued 1,486 Executive Orders, which compare to an average of 166 for each previous four year term; an almost tenfold increase.[17]

Hoover's administration had reduced civil employees by more than 20,000 in four years; FDR's own brought these up by 258,000 in the first four years alone; 436,000 over the first eight years. Hoover had set up a Civil Service merit examination as a standard of public service worthiness. FDR exempted all employees of the twenty-four new agencies—themselves formed in the first four years—from this requirement.[18]

Early in his first term the President had at his disposal $ 3.3 billion to be spent at his leisure on relief and recovery projects. This caused a race to ingratiate the President's favor at the level of states, counties, cities, business organizations. Thus Congress was bypassed in favor of the President. Congress also practically undermined itself by the creation of

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[13] Richard Norton Smith, *An Uncommon Man* 157.
[14] Gene Smith, *The Shattered Dream* 468.
[15] For accounting purposes the Administration claimed public works and loans as assets, not expenditures. And it did not account for most of its loans under the pretense that those belonged to special corporations, though these had been set up by the government itself. They were not entered into the accounting until they were liquidated. The act of February 16, 1938 concerning loans from the RFC canceled the debts of ten New Deal agencies to the RFC, eliminating $ 2.7 billion from the accounting. From 1933 to 1938 some $ 4 billion escaped Congress scrutiny and were not recorded in government accounting. (Gene Smith, *The Shattered Dream* 466-68).
[16] Gene Smith, *The Shattered Dream* 369.
[17] Gene Smith, *The Shattered Dream* 389.
[18] Gene Smith, *The Shattered Dream* 382.

large agencies that were responsible for their own regulations and directives. Some of these weren't even authorized by Congress; they were in fact formed by the President himself who selected men who would form a corporation according to state laws. Government corporations replaced bureaus, and corporate directors the earlier commissioners. Through these devices the President could operate business enterprises even in Mexico or Canada. John T. Flynn concludes: "By means of the blank-check appropriations, the blank-check legislation and the government corporation, there is no power forbidden to the government by the Constitution which it cannot successfully seize."[19] Richard Hofstadter—American historian—echoes: "If the state was believed neutral in the days of TR because its leaders claimed to sanction favors for no one, the state under FDR could be called neutral only the sense that it offered favors to everyone."[20]

The New Deal and Its Origins

The term *New Deal* appeared as a title of a book by Stuart Chase in 1932, which predicated that government manage the economy through deliberate money inflation or deflation. In *The Science of Government Founded onm Natural Law* Clinton Roosevelt—a distant cousin of Presidents Theodore and Franklin D. Roosevelt—had in mind a totalitarian government, and in the long-term the abandonment of the Constitution. In this book Clinton devises a "Grand Marshall" or "Marshall of Creation" whose task is the balancing of production and consumption, a sort of "economic tzar."[21] The views that Gerald Swope and Wall Street wanted to force upon Hoover continued Clinton Roosevelt's dystopian vision and stood in radical opposition to the President's innovation of individual associations. On one hand stood the mandates of economic fascism, on the other the basis for associative economics.

The New Deal was basically a society based on economic planning that would guarantee the privileges of a few and dress the whole up with compensatory social measures. One such scheme had already been proposed by Clinton Roosevelt himself and taken up by Bernard Baruch, under President Wilson, in the creation of the War Industries Board (WIB). In fact, some of the people of the WIB later found themselves in FDR's National Industrial Recovery Act.

The WIB had been established in 1918 without congressional approval by President Wilson. Bernard Baruch—its main beneficiary and agent—was endowed with more power than any individual before him in the history of the United States, under the pretext of the war emergency. In his hands were all decisions concerning supply of raw materials, production, transportation and distribution of anything having to do with the war

[19] John T. Flynn, *The Roosevelt Myth* 292.
[20] Richard Norton Smith, *An Uncommon Man* 182.
[21] Antony C. Sutton, *FDR and Wall Street*, 85.

activity. Baruch was a little like a "Grand Marshall" in Clinton Roosevelt's scheme. His activities held sway over a large sector of the economy. What he had managed to introduce in times of war Baruch firmly intended to keep and strengthen in times of peace with the creation of his special brand of trade associations originally created by the WIB, controlling price-making and methods of production and distribution. Antony Sutton ironically compares this scheme with the ideas in Karl Marx's manifesto "the vanguard of the proletariat in Karl Marx is replaced by the vanguard of big business in Bernard Baruch."[22]

The Trade Councils

The first Trade Council was the American Construction Council created in 1922. Hoover was its promoter when Secretary of Commerce, though what he had in mind was more in line with his individual associations. However, the ACC basically established its own production and pricing policies, bypassing anti-trust provisions of government. The industry giants such as United States Steel Corporation and Bethlehem Steel—controlled by Morgan interests—were supporters of the ACC.[23] Taking the protection of the consumer as their noble façade the ACC was in reality a means to bar competition and promote conditions of monopoly. Hoover was a little naïve in believing in big business collaboration in order to solve its own problems, though he soon awakened from it. FDR was elected first president of the Council in 1922; another curious way in which Hoover and FDR's paths crossed once more.

Another stated purpose of the Council was to fight the fluctuations of labor and seasonal unemployment and the fluctuations of prices. When he assumed the presidency Hoover voided the more than forty codes of practice the ACC had adopted, asserting that regulating production and prices was illegal and that these ran counter to the interests of the public.[24] Similar attempts to those of the ACC came forth through the Committee on Continuity of Business and Employment—under Henry I. Harriman—the Committee on Work Periods in Industry, and the Swope Plan of 1931—a forerunner of National Industrial Recovery Act (NIRA)—of which more shortly.[25] Hoover did not support any of the indications of the committees and he denounced the Swope plan as economic fascism.

The New Deal comprised as its main core component the NIRA championed by Bernard Baruch already on May Day 1930; his protégé, Hugh Johnson, was handpicked by FDR to run the agency and assisted by Gerard Swope of General Electric. The NIRA was thus controlled by the largest corporations which could set operating standards in their fields at the expense of smaller competitors. These choices show that none of this was

[22] Antony C. Sutton, *FDR and Wall Street* p. 91.
[23] Antony C. Sutton, *FDR and Wall Street*, 99.
[24] Antony C. Sutton, *FDR and Wall Str* p. 115
[25] Antony C. Sutton, *FDR and Wall Str*p. 116.

simple coincidence. Consider that FDR's Wall Street Office stood at 120 Broadway, as did those of Baruch and Swope.

National Industrial Recovery Act

Central to the whole edifice of the New Deal was the National Industrial Recovery Act (NIRA). It followed the scheme proposed by Gerard Swope in the winter of 1932, and soon endorsed by the United States Chamber of Commerce. It was rubberstamped on May 27, 1933. NIRA imposed 'codes of fair competition' proposed by industrial or trade associations. Violations of such codes involved fines or imprisonment. Businesses were held accountable to these through the purchase of business licenses.

Hugh Johnson, who took the helm of the National Recovery Administration, summoned chiefs of industry to draw codes of fair competition, which would naturally lead to price-fixing in obvious breach of the provision of the Sherman Antitrust Act. As a compensation for its obvious, semi-hidden, intents the National Industrial Recovery Act included compensatory pro-labor provisions, minimum wages, 40-hour work week, a ban on child labor and the right to set up trade unions. A barrage of propaganda was set in motion to promote the core of NIRA, its corporate welfare part. Blue Eagle badges were to be placed on every home or business and to be enforced on all business owners. Compliance was ensured through Compliance Boards.

NIRA policies and regulations greatly impacted small business and individual mutual support. A small example: a woman running a hot dog stand was rendered unable to assist a relative in need with the offer of a small income from the stand since NIRA compliance board dictated unrealistic maximum work hours and wage to be paid to the relative. When brought to court it was pointed out that this policy violated six amendments to the Bill of Rights and Hoover invited her to read these to the Board, effectively disbarring them from taking action.[26]

That the NIRA was unconstitutional was also agreed to by the Supreme Court in a blow to the heart of the New Deal on May of 1935. When NIRA failed FDR had recourse to heavier measures, such as many of his Executive Orders, which mandated that all government business be conducted by NIRA registered suppliers and contractors. The result: two million employers registered.[27]

Morgan, Rockefeller and all investment bankers know that the road to the acquisition of wealth lies in the promotion of monopoly, through the state's intervention in driving out or reducing competition, offering protection and bailouts for given industries, or passing favorable, protective regulation. This is what we have called 'corporate welfare,' resembling very closely the

[26] Richard Norton Smith, *An Uncommon Man* 184.
[27] Richard Norton Smith, *An Uncommon Man* 180.

state's intervention in regulating the economy through monopolies that took place under Fascism or Nazism.

Corporate welfare and monopolies are the counterpart—or rather the most important part—of the welfare state. Monopoly is that system through which wealth is transferred from the citizens to corporate concerns protected by the hand of government—in which everyone finances those who have access to special government regulation. And monopoly naturally goes hand in hand with corruption.

Such monopolies were also established in agriculture. The Agricultural Adjustment Act (AAA) of March 12, 1933 was one of the earliest to be passed under the cry of emergency. It decreed that wheat, cotton, field corn, hogs, rice, tobacco, and milk, then rye, flax, barley, grain sorghum, cattle, peanuts, sugar beets, sugar cane, and potatoes—comprising 80% of all farm produce were basic commodities.[28] Provisions for these products contemplated reduction of acreage in cultivation, or production, or both; a processing tax levied upon processors of farm products; and suspension of anti-trust laws in favor of legal marketing agreements between the Secretary of Agriculture with producers and processors.

The whole was presented as voluntary. In reality if a farmer wanted a subsidy on a commodity he first had to sign an agreement through which he accepted government dictation on all basic products. Farmers who forfeited benefits, would retain independence but found great difficulties in marketing their crops. To this end the government set up the Commodity Credit Corporation, registered in Delaware, with funds of 3 billion $, which was only authorized by Congress two years later. In May of 1934 a processing tax was decreed on sugar and quotas set up on the acreage of beet and sugar cane, involving subsidies and non-compliance penalties.[29]

The Supreme Court declared unconstitutional the NIRA, the AAA and a number of other New Deal legislation. To counter the opposition of the Judicial to key New Deal measures in early February 1937 FDR invited his cabinet and some legislators to inform them of his project to reorganize the Supreme Court. The bill he proposed would give the President power to appoint a justice for every member of the court who at age of seventy refused to retire, and freedom to appoint as many as six additional judges. FDR used the pretext that the Court could not process its workload in timely fashion.

Republicans mounted a concerted opposition, but many Democrats themselves were dismayed at the news. The Democrat Burton Wheeler took the lead; he professed his opposition to the plan on the first day of Senate

[28] https://en.wikipedia.org/wiki/Agricultural_Adjustment_Act
[29] Gene Smith, *The Shattered Dream* 409-10.

hearings, arguing that, according to Chief Justice Hughes, the Court's docket was absolutely up to date, thus invalidating a chief FDR argument for the drastic measure. Since opposition among liberals continued, FDR had to retreat.

Equitable Office Building at 120 Broadway

We have already found mention of the 120 Broadway Building in New York in Chapter 3. Here Bernard Baruch and his research assistant Hugh Johnson had their offices. Here were also the executive offices of Gerald Swope's General Electric Co., while the Bankers Club was located on the top floor of the building. FDR had various pursuits in the same building: in the Twenties his Fidelity and Deposit Company and the law offices of Roosevelt and O'Connor. The Georgia Warm Springs Foundation was also located there, at least until 1936.[30]

Among other occupants was also the very central American International Corporation, founded in 1915 through mixed Rockefeller and Morgan interests. It acted like a cartel for development and exploitation overseas. AIC was a most important link for the support of the Russian Revolution. It included among its members Pierre (?) S Du Pont of the Bankers Trust Company, Percy A. Rockefeller, Albert H Wiggin of the New York Federal Reserve Bank, Beekman Winthrop of the Warburg's International Banking Corporation and the National City Bank.[31]

FDR certainly had knowledge of the concentration of financial power in the hands of corporations and banking houses. He reproached Hoover for not acknowledging this reality in his rosy estimate of American individualism. He wrote of this same realization to Colonel E. M. House.[32] How much did he realize, however, how he himself played into the hands of these very same entities remains a question mark.

FDR, Wall Street, Fascism and Communism

During the early days of the New Deal Wall Street showed a lot of support to the budding new tyrannies, and this stance rippled in the political body. Frances Perkins, Secretary of Labor under FDR, recalls that at the first cabinet meeting of the newly inaugurated New Deal FDR, Baruch and Johnson—soon to become the head of the NIRA—brought in copies of a book by Gentile, the theorist of Italian Fascism and gave them out to all members of the Cabinet.[33] The NIRA was in fact very close in philosophy to

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[30] Antony Sutton, *FDR and Wall Street*, 135, p. 161.
[31] Antony C. Sutton, *FDR and Wall Street* pp. 165-6, 169.
[32] "The real truth is, as you and I know, a financial element in the larger centers has owned the Government ever since the days of Andrew Jackson and I'm not wholly excepting the Administration of W.W. The country is going through a repetition of Jackson's fight with the Bank of the United States-only on a far bigger and broader basis." (FDR letter to Colonel House of November 21, 1933 in Antony C. Sutton, *FDR and Wall Street*, 13)
[33] Antony C. Sutton, *FDR and Wall Street* p. 170.

Italian Fascism. It is not surprising that Mussolini himself received financial support from J. P. Morgan.[34] Likewise, William Dodd, Ambassador to Germany, recorded in his diaries that in 1933 many Wall Street bankers passed through the American Embassy expressing admiration for Hitler.[35] In fact all strong men were admired. As one of many, the banker Otto Kahn of Kuhn, Loeb and Co. and a key figure in the Federal Reserve System, supported both Lenin and Benito Mussolini.[36]

Gerard Swope had a long standing friendship with FDR and General Electric made profits from the New Deal, from Russian Revolution and from Nazi Germany. Owen D. Young—who was shortly to initiate a plan under his name—and Swope were directors at General Electric in Germany (A. E. G.) and at Osram. General Electric provided the electric infrastructure for the Soviet Union in the 1920s and 1930s, fulfilling Lenin's dictum "Socialism = electrification." Swope was also a director of National Broadcasting Co. and National City Bank of New York. The two men were known as Morgan representatives.[37]

Walter Rathenau of General Electric in Germany wrote the "Rathenau Plan," in all very similar to the Swope Plan and therefore to the NIRA. Here the promoters of two New Deal plans—Swope and Rathenau—are also the financial supporters of their patrons: FDR and Hitler. Likewise, Averell Harriman, who had made very lucrative deals with the Bolsheviks after the Revolution, became Administrative Officer of the NIRA, and later an Ambassador to the Soviet Union.[38] Here is once more an example of a man who supported New Deal, Bolshevik Revolution and Nazi regime, and a close ally of FDR.

In summing up, we can recognize with the year 1933 the establishment of anything but the contrary of the threefold state in the US. On the cultural front the hasty, official recognition of the Soviet Union whitewashed a culture aimed at erasing all traces of individualism. The long held goal of exporting the undesired social experiments to Russia would now open the possibility of further expansion into Central Europe and into Asia.

At the political level the introduction of economic fascism, marked a clear departure from American precedent. Corporate welfare sought to bypass all protective anti-trust measures with the extension of unlimited powers in the American and transnational cartels and monopolies. The greatest victim was to be private enterprise. This was the projected heart of the New Deal, only lessened by the rightful protections offered through trade unions and

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[34] Antony C. Sutton, *FDR and Wall Street*, 84.
[35] Antony C. Sutton, *Wall Street and the Rise of Hitler*, 133.
[36] Antony C. Sutton, *FDR and Wall Street* 83, 85.
[37] Antony C. Sutton, *Wall Street and the Rise of Hitler*, 51.
[38] Antony C. Sutton, *Wall Street and the Rise of Hitler*, p. 107.

labor legislation. The fascistic measures were countered and their effects lessened by the still independent power of the Supreme Court.

Finally in the economic realm the torpedoing of the World Economic Conference marked the time of a managed currency and the expansion of the reality of fractional money. The financial sector, Federal Reserve at the head of it, enshrined its dominance over the economy. The net result was the artificially imposed Great Depression, as has been documented so far.