

2005

# Roosevelt's Monetary Policy

Steven Napier

Follow this and additional works at: <http://mds.marshall.edu/etd>

 Part of the [Political Economy Commons](#), [Political History Commons](#), [Political Science Commons](#), and the [United States History Commons](#)

---

## Recommended Citation

Napier, Steven, "Roosevelt's Monetary Policy" (2005). *Theses, Dissertations and Capstones*. Paper 746.

This Thesis is brought to you for free and open access by Marshall Digital Scholar. It has been accepted for inclusion in Theses, Dissertations and Capstones by an authorized administrator of Marshall Digital Scholar. For more information, please contact [zhangj@marshall.edu](mailto:zhangj@marshall.edu).

*Roosevelt's Monetary Policy*

Thesis submitted to  
The Graduate College of  
Marshall University

In partial fulfillment of the  
Requirements for the degree of  
Master of Arts  
Political Science

by

Steven Napier

Committee Members  
Dr. Jean Edward Smith, Committee Chairperson  
Dr. Simon D. Perry  
Dr. Robert W. Behrman

Marshall University  
Huntington, West Virginia  
Fall 2005

## **Abstract**

### ***Roosevelt's Monetary Policy***

Steven Napier

This qualitative analysis of the monetary policies of Franklin D. Roosevelt and his administration covers his entire presidency. Through scholarly research based on arguments presented in major scholarly publications, great questions are raised as to the primary causes of the economic successes of the Roosevelt administration. Some of the most conservative and reputable scholars in history, while disagreeing with most of the measures taken by Roosevelt to regulate the economy, agree that the goals by the administration to raise the prices of basic commodities was generally achieved. The thesis demonstrates that almost all of FDR's economic successes were the direct result of the gold and silver purchase programs sought by the United States and the restoration of America's banking and financial institutions. The thesis also challenges the claim that World War II alone brought our nation out of the great depression and that America merely transferred the depression entirely to other nations. Although other nations faced difficulties maintaining either gold or silver monetary standards, once currency stabilization was reached, many countries financed war and recovered from economic hardship by selling gold and silver to the United States. Roosevelt's monetary policies had tremendous implications and applications, both domestic and international, and continued to be a driving force behind a postwar economy in which the United States became the world's largest creditor nation.

## **Dedication**

This Thesis is dedicated to the late Dr. Clair W. Matz, Jr.

## **Acknowledgements**

I wish to thank the Graduate College and the staff of the James E. Morrow and John Deaver Drinko Libraries and Dr. Bernard and Mrs. Lamina Queen for their generous donation for the Lamina Queen Thesis Research Award which made this possible. I would also like to thank the Charles E. Yeager and John Marshall scholarship programs and all the contributors and affiliates associated with higher education at Marshall University.

My profound thanks to the John Deaver Drinko Academy. I acknowledge Dr. Cheryl Brown and Dr. Simon D. Perry for serving as my Academic Advisors. I thank my wife Rukmani Shanmugham Napier, my father-in-law Dr. Cawniambakkam Totadri Shanmugham, my brother and sister-in law Gary and Tanya Napier, graduate student Steve Payne for proofreading and editing. I am especially grateful to my mother and father, Gail and Gary Napier and my brother Brent Napier for their support.

Thanks to the members of my Thesis Committee at Marshall University: Dr. Simon D. Perry, Dr. Robert W. Behrman, and the late Dr. Clair W. Matz. Finally, I extend my greatest appreciation to Dr. Jean Edward Smith, my thesis advisor and mentor, without his help this Thesis would not have been possible. Professor Smith has earned his way to an elite class of intellectuals of our time. I hope I have lived up to the expectations of all of those who have worked with me.

***Roosevelt's Monetary Policy***

**By Steven Napier**

**Table Of Contents**

CHAPTER	PAGE
INTRODUCTION.....	1
ONE: BANKING AND FINANCE- Banking Crisis Of 1933/ Unsound Banking Practices During The Hoover Administration/ Banking Legislation Of 1933-1935/ Federal Reserve System/ RFC/ FDIC/ Restoration Of America's Banks/ Effects On The American Economy/ Conclusion.....	2-30
TWO: REGULATION OF GOLD AND SILVER- Depletion Of Gold Stocks Under Hoover/ Early Roosevelt Gold Regulation Efforts/ Gold Reserve Act Of 1934/ Silver Purchase Act Of 1934/ Conclusion.....	31-56
THREE: INTERNATIONAL IMPLICATIONS AND APPLICATIONS- U.S. Pressure On The World's Gold And Silver Reserves/ European Abandonment Of The Gold Standard/ Abolishment Of The Silver Standard In China, India, Australia, Spain, And Latin America.....	57-81
FOUR: MONETARY POLICY AND THE COURTS- Problems With Non-Monetary New Deal Legislation/ Victory For Roosevelt's Monetary Legislation/ Attributing Roosevelt's Economic Successes To Monetary Policies Upheld By The U.S. Supreme Court.....	82-111
FIVE: MONETARY POLICIES DURING WORLD WAR II AND ITS AFTERMATH World War II Inflation/ Gold And Silver During The War/ Economic Impact Of Long-Term Roosevelt Monetary Policy/ The State Of Affairs At The End Of The Reign Of Roosevelt With The American Economy, Banking And Financial Institutions.....	112-137
CONCLUSION.....	138-140
NOTES.....	141-157
BIBLIOGRAPHY .....	158-178

## **Introduction**

Franklin D. Roosevelt's monetary policies rank as the single greatest achievement of his presidency and are only rivaled by his successes in World War II. Not since the original monetary statutes of 1792 have such far reaching measures been enacted with respect to currency and banking as during FDR's first term. Never before had such all-extensive powers been conferred on the executive. FDR's presidency, therefore, is distinctive in terms of the regulation and powers granted to his administration. Roosevelt's power to issue currency greatly exceeded the powers voted by Congress during the Civil War. Roosevelt was given the authority to artificially establish bimetallism (gold and silver) at any exchange ratio he might find necessary and to reduce by as much as fifty percent the weight of the gold dollar, which had been only slightly altered since the establishment of the Republic. Monetary legislation and executive orders issued during Roosevelt's presidency had tremendous implications and applications both domestically and internationally. FDR envisioned and recognized a mechanical relationship between the price of gold and silver, the quantity of currency, bank deposits, prices of goods and services, and business activity. Roosevelt brought the nation out of the Great Depression, restored America's banking and financial institutions, raised the value of the U.S. dollar, and strengthened America's economy for decades to come. As a result of Franklin D. Roosevelt's monetary policy, the United States went from running a deficit during the depression to becoming the world's largest creditor nation after World War II. Roosevelt's monetary policies lay at the root of his economic success, which shall be the central theme and focus of this research.<sup>1</sup>

## **CHAPTER ONE: BANKING AND FINANCE**

The New Deal brought about vast changes in increased regulation of banking and finance. As a result, a new era of banking and financial history emerged. The Hoover Administration considered monetary policy of little importance in affecting the course of economic affairs and the former president's policies were hesitant and passive. Roosevelt profoundly modified the American financial structure and the nation's monetary standard. The developments were a direct reflection of the previous years. The apparent failure of Hoover's subtle change in monetary policy to stem the Great Depression led to the dramatic regulation of America's financial institutions, banking, and money, which tremendously affected the course of economic events for years to come. Roosevelt, faced with a national banking crisis at the time of his inauguration, initiated changes in the Federal Reserve System, was involved in the establishment of the Federal Deposit Insurance Corporation, proposed a change in the structure and powers of the Reconstruction Finance Corporation, and brought about closer regulation of banks and other financial institutions.<sup>2</sup>

### **BANKING CRISIS OF 1933**

President Roosevelt was inaugurated on March 4, 1933, in the middle of the worst banking crisis in American history. Banks had been forced to close because of a tremendous proliferation of bank runs on currency and deposits. The problems associated with the 1929 stock market crash and the ensuing depression is attributed to a variety of factors. In retrospect it is not possible to point to any single factor that precipitated the crisis, because successive instances of banking and financial difficulties continued to

recur from that time until March of 1933. Between the end of December, 1929, until February, 1933, approximately five thousand banks, or more than one bank in every five, declared banking holidays, amounting to \$3.5 billion of bank deposit shortfalls.<sup>3</sup>

There was a substantial reduction in the rate of bank suspensions under the Hoover administration following the formation of the Reconstruction Finance Corporation in February, 1932. There were relatively few failures during the remainder of 1932, until December, and most of these were among small banks. In December, 1932, suspensions became more numerous and more widespread in the first six weeks of 1933 and involved more banks of substantial size. Renewed banking difficulties in February, 1933, led to the temporary closing of all banks by administrative action at the state level and then by Roosevelt's presidential executive order throughout the entire country in March, 1933.<sup>4</sup>

The most obvious contributor to the banking crisis was Black Tuesday.\* Preceding the economic crisis, an average of more than six hundred banks per year failed between 1920 and 1929, which was more than ten times the rate from 1910 through 1920. The closings evoked little concern because they were primarily small rural banks and the problems were thought to be the result of inadequate management practices. This

---

\* Black Tuesday, occurring on October 29, 1929, was the day of the great New York Stock Exchange crash. The Crash began a tremendous proliferation of banking collapses than was associated with the 1920s. Its aftermath eventually led to the Great Depression of the 1930s. This historic day constituted a thirty point or 11.7% decrease in the general average stock market prices. The decrease in the stock market was not the largest on record, but in the early twentieth century financial institutions were involved in unsafe and unsound activities that exacerbated this tragedy to a more intensive level than had ever been seen in U.S. history up until 1929 and that has ever occurred since. The name "Black Tuesday" derives its origins from Friday, September 24, 1869, that came to be known as "Black Friday". On this day in 1869 a group of investors tried to control the gold market and by doing so initiated a business panic followed by an economic depression in the 1870s. Subsequently, since another banking and financial panic of 1873 began on Friday, the term "Black" now applies to any day of the week when there is a large downturn in the stock market. See Jean Edward Smith's *Grant*, (New York: Simon & Schuster, 2001), pp. 488-490. See also *Dictionary Of Finance And Investment Terms*, by John Downs and Jordan Elliot Goodman (New York: Baron's Educational Series, Inc., 2003), pp. 63-65.

optimism disappeared in late 1929 and early 1930. By 1930, banking failures exacerbated widespread attempts of depository conversions into currency. Many banks seeking to accommodate currency demands or liquidity contracted credit or liquidated assets.\* This resulted in a reduction in the amount of the nation's money supply available to the public, which placed additional difficulties on banks to comply with currency demands. Banks were forced to restrict credit and liquidate assets, exacerbating the problems of meeting currency demands. As banks were unable to meet withdrawals and were forced to close, more apprehension and fear emerged within the American public. Confidence in the banking system among Americans deteriorated substantially as failures became prevalent.<sup>5</sup>

#### UNSOUND BANKING PRACTICES DURING THE HOOVER ADMINISTRATION

Also contributing to the banking crisis of 1933 were dangerous practices and policies of the banking industry. Banks, even before the Great Depression, were involved in unsafe and unsound practices contributing to the intensification of economic catastrophe and to bank failure. Banking disorders were induced by an over expansion of bank investments and excessive accumulation of bank reserves. Roosevelt's policies virtually eliminated these problems by 1937.<sup>6</sup>

Prior to the 1929 stock market crash, banks became involved in profitable stock investment adventures already indulged in by a heavy proportion of their depositors.

---

\* Many problems arose during the 1920s and the early 1930s with the ability of various Banks to liquidate assets. Banks often meet the demands of their customers by liquidating assets by converting various funds into cash. Examples include money-market fund shares, U.S. Treasury bills, and bank deposits. Liquid assets are often categorized as cash, marketable securities, and accounts receivable. See *Dictionary Of Finance And Investment Terms*, by John Downs and Jordan Elliot Goodman (New York: Baron's Educational Series, Inc., 2003), pp. 385-386.

Banks and financial institutions organized affiliates for handling securities. Banking executives often became directors on boards of numerous corporations interested in stock market investments. Many banking officials purchased stocks by borrowing heavily from their own or affiliated banks from funds already serving as security obligations for bank loans. The banks lent money to many borrowers, both corporations and individuals, accepting stocks as collateral backing. Credit extensions were made to banks and financial institutions which dealt solely in stock investments. The Great Depression followed the 1929 stock market crash added to financial difficulties.<sup>7</sup>

The public confidence in the nation's financial structure had been severely tarnished following the 1929 turmoil. Those problems associated with the banking industry played a large role in the following decade. New industries and normal trading activities were at all-time low levels. Few investors dared to venture into business because credit and normal trading relationships were destroyed. Many persons with capital or available credit invested abroad or deposited capital in foreign banks, seeking to retain remaining finances from the 1929 crash and the depression conditions that followed. Hoarding of currency became prevalent. Retention of currency in private hands was a major contributor to banking failures prior to Roosevelt's banking holiday. The importance of this was stated in the Comptroller's annual report to Congress. The report examined the 1931-1932 fiscal year. In this report, the Comptroller, had recognized a trend that originally began during autumn of 1930 to the beginning of autumn, 1932, an increased demand of currency for hoarding purposes. The report included an estimation of the total contracted currency in the country in July, 1932, held by private citizens to be in excess of \$1 billion to \$1.5 billion. The essential cause of currency retention was

attributed, for the most part, to the shaken confidence of the American people, and currency retention added to banking problems of liquidation.<sup>8</sup>

Withdrawals of banking deposits for the purpose of currency retention are different from withdrawals for ordinary purposes in that the currency involved is neither spent nor returned to banks but is withdrawn from circulation completely. Between 1928 and the end of 1932, bank deposits throughout the United States declined from approximately \$56 billion to \$41 billion. During this same period, there was a tremendous increase in Postal Savings deposits. The balance of total deposits in the Postal Savings System was approximately \$150 million at the close of the fiscal year 1928. Deposits had increased to over \$1 billion at the close of the fiscal year in 1933. From the year 1930 on, it became obvious that the public was apprehensive over the safety of bank deposits. Many sound banks, unable to meet withdrawals, were forced to close due to liquidity and solvency complications. Under ordinary circumstances, failure of one banking institution has little effect on other banks except to contribute to the loss of confidence of depositors. In the situation leading up to March, 1933 almost all banks were interconnected and interrelated to each other.\* The failure of one bank in a group seriously jeopardized the ability of others to meet liquidity and solvency obligations. This type of interlocking bank condition existed in many states at that time and banks were usually interconnected by way of holding companies. This American financial structure existed in an era of an already apprehensive American public that had lost fortunes with

---

\* A typical holding company is a corporation owning enough stock in another company to control the policies and practices of that company by influencing the board of directors. A holding company does not necessarily own a controlling amount of the voting shares of a subsidiary to control it. The holding company only needs to hold enough shares to place the company's financial health in jeopardy if the votes are able to be consolidated with other conflicting sides of various policies. *Dictionary Of Finance And Investment Terms*, by John Downs and Jordan Elliot Goodman (New York: Baron's Educational Series, Inc., 2003), pp. 310-311.

the stock market crash of 1929 and the ensuing depression.<sup>9</sup>

A typical holding company was structured with a number of banks, either state or national, in which a majority of their stocks are held by a company organized for the primary purpose of obtaining and holding bank securities. Usually the charter of the holding company conferred a wide range of powers in addition to acquiring and owning stock in banks. Most companies could also purchase stocks of other corporations, deal in securities, and borrow money. In some instances, they could bring about a type of group banking in states in which branch banking was unlawful. Theoretically holding companies are set up to effect greater autonomy of operation in the individual banks and to provide greater sources of capital. Greater sources of revenue would arise out of the ability of an individual bank to handle larger credit extensions by passing them on to aggregated bank reserves. Trust or fiduciary business could be adequately conducted with accumulated banking assets large enough to handle it. In addition, investment of otherwise idle capital in credit or investments held by other banks was permitted. Members of the banking and financial industries believed this practice would produce extra profits in the individual banks, resulting in greater royalties afforded to the holding company and to its shareholders.<sup>10</sup>

Many holding companies were highly successful in the beginning. After the stock market crash, the continuing depressed conditions produced a tremendous depreciation in market prices. When it was realized that these stocks had been widely used as collateral for obligations of individual borrowers from various constituent banks of the holding company, the effect of the depreciation of banking stock values upon the financial structure of holding company member banks can be easily understood. Adding to the

difficulties of all commercial banks, the proliferation in the withdrawal of funds continued. To meet the demands of depositors, it became necessary for banks to liquidate by selling most of their assets. In addition banks had to rediscount heavily with the Federal Reserve banks and borrow from the Reconstruction Finance Corporation. Some larger banks of those organizations were in need of additional capital. Banks began to close their doors, causing tremendous difficulty for affiliated banks. When affiliated banks were closed, liquidity and solvency problems were transferred to independent banks at a time when the banking industry was not in a position to meet the demands of massive withdrawals. The nation's banking structure, dealt such a severe blow by the 1929 stock market crash, was unable to recover, resulting in the banking crisis of March, 1933.<sup>11</sup>

#### BANKING LEGISLATION OF 1933-1935

Four years of depression had revealed dangerous policies and practices in the activities of American banking.\* Banking reform became the central area of focus for the Roosevelt economic recovery program. The reform of U.S. banks was enacted in four statutes including the Emergency Banking Act of March 9, 1933; the Banking Act of June 16, 1933; the Federal Deposit Insurance Act of June 16, 1934; and the Banking Act

---

\* Even though the country was in the middle of the worst banking crisis and economic depression in our nation's history, President Herbert Hoover continued to deny there were any problems with banking and finance in America. He also expressed virtually no concern for the banking crisis and took no action as President to correct any deficiencies. On November 15, 1929, Hoover said that U.S. banks were, "in inherently sound condition." On December 3, 1929, Hoover said that the nation's banking system was "in a strong position." On October 2, 1930, he spoke of, "the soundness of our credit system." On October 6, 1931, Herbert Hoover spoke of "the strength of our banking system." Years afterward Hoover looked back on banking and finance during his administration as the center of the problems in our entire economy. He also stated that they were horribly structured and fallible almost beyond expression. None of which, however, could be seen or heard from Hoover at the time he held the office. See *The Age Of Roosevelt: The Crisis Of The Old Order 1919-1933*, by Arthur M. Schlesinger, Jr. (Boston: Houghton Mifflin Company,

of August 23, 1935. These statutory enactments mark the beginning of modern era of bank regulation in the United States.<sup>12</sup>

The immediate conditions preceding the banking crisis of March, 1933, reflected the cumulative effects of a sharp decline in industrial and business activity which had existed for three and a half years. Immediately after inauguration on Saturday, March 4, 1933, Roosevelt ordered all banks closed in the United States. On Sunday, March 5, the President issued an executive order, declaring a four day banking holiday. In this presidential proclamation banks could reopen only for limited business. Until the following Wednesday, banks could not accept deposits, make loans, or pay cash on checks. They could exchange forms of currency, give access to safe deposit boxes, pay checks drawn on the federal treasury, accept payments on obligations, accept business necessary to the distribution of food, permit deposits and withdrawals on special trust accounts, and continue trust activities. On the same day he called a special session of Congress to pass the Emergency Banking Act. On March 7, the Treasury issued a regulation authorizing Clearing House Certificates\* to be issued after March 10, 1933. The authorization was later withdrawn because the Emergency Banking Act provided for special Federal Reserve Bank Notes and made the certificates unnecessary. Congress met on March 9, and without debate passed Roosevelt's Emergency Banking Act.<sup>13</sup>

Under the authority of the Emergency Banking Act, President Roosevelt issued an

---

1957), pp. 474-475.

\* Clearing House Certificates were authorizations of Clearing House banks, which members and other banks agreed to accept instead of currency in settling imbalances. They were issued to commercial banks in return for their own obligations secured by collateral acceptable to a committee of bankers. Clearing House Certificates were issued by banks as currency for the public's use. The authorization was nullified by the Emergency Banking Act allowing for the issuance of Federal Reserve Notes that served the same purpose. By issuing Federal Reserve Notes, the federal government could have more centralized control over the amount of different classifications of money issued. See Milton Friedman and Anna Jacobson Schwartz, *A Monetary History Of The United States, 1867-1960*. (Princeton, New Jersey: Princeton University Press,

executive order on March 9, 1933, that continued the banking holiday. This was followed by an executive order on March 10, granting the Secretary of the Treasury the power to issue licenses to Federal Reserve member banks to reopen. Every member bank was directed to apply for a license to the Federal Reserve Bank of its district, which served as a designee of the Treasury Secretary in granting licenses. The executive order also authorized state banking regulatory agencies to reopen sound banks that were not members of the Federal Reserve System. The Emergency Banking Act of 1933 prevented a bank from acting as a medium or agent for non-banking corporations, firms or individuals in extending credit to brokers on stocks, bonds, and other investments. Another executive order dated March 18, 1933, authorized state banking regulatory organizations to appoint conservators for unlicensed state member banks as long as they were in compliance with state law. In a statement to the American public on March 11, and a radio address on March 12, FDR announced the program for reopening licensed banks on March 13, 14, and 15. Member banks licensed by the U.S. Treasury were opened to do business without restrictions. Nonmember banks, licensed by state banking officials were also authorized to reopen with respect to legal contracts between the banks and depositors concerning withdrawals on March 13, in the twelve Federal Reserve Bank cities.\* On March 14, additional banks were authorized to reopen in more than two-hundred fifty cities having accredited Clearing House Associations. On March 15, all other banks were authorized to open back up for business.<sup>14</sup>

---

1963), pp. 160, 327.

\* Twelve Federal Reserve banks were established under the Federal Reserve Act Of 1913. The newly created Federal Reserve System contained twelve district reserve banks serving members as depositories and rediscount agencies. The capital for the reserve banks was originally contributed by member banks. They were authorized to issue currency to member banks, based upon their commercial currency and securities. See William J. Shultz and M.R. Caine, *Financial Development Of The United States* (New York: Prentice-Hall, Inc., 1937), pp. 481-482.

In the ensuing months the licensed banks operated mostly without restrictions, though legal contracts in some cases limited withdrawals by depositors to a specified reduction of the total amount deposited. Many of the unlicensed banks, when allowed to reopen on March 15, were restricted to a limited range of transactions, with banking officials permitted to receive new deposits subject to the demands of the customer and separated from other accounts. The line between unlicensed and licensed banks became less distinctive in actual practice than in theory. Both licensed and unlicensed banks had to operate under strict banking regulations. The difference is that licensed banks had to comply with stricter regulations imposed by the FDIC on the amount of their currency-deposit ratios. Each licensed bank, in order to remain so, had to make application and become a member of the FDIC. The Banking Act of 1933 did not remove the functions of any existing government regulatory agency concerned with banking and finance. It simply introduced an additional regulatory agency, the Federal Deposit Insurance Corporation (FDIC), whose powers both broadened and enhanced those of existing organizations.<sup>15</sup>

Prior to 1933 there were four types of commercial banking institutions operating in the United States: national banks, private banks, state banks which were members of the Federal Reserve System, and state banks which were not members of the Federal Reserve System. Approximately nineteen-thousand of those banking and financial organizations held capital of approximately \$56 billion. One-third were national banks, holding two-fifths of all the banking capital. The state banks were organized primarily under state laws and regulated by state banking authorities. Private banks, in most states, had the freedom of operating under fewer constraints than either national or state banking

organizations. All national banks were regulated and authorized under the direction of the U.S. Comptroller of the Currency.<sup>16</sup>

The Comptroller of the Currency\* was given the authority to appoint executives or supervisors for closed national banks. Reorganization of a closed bank might be undertaken with the approval of three-fourths of the bank's customers and two-thirds of the bank's stockholders. National banks were authorized to issue debentures or preferred stocks which were purchased by the Reconstruction Finance Corporation. The Glass-Steagall Act of 1933 authorized Federal Reserve credit to member banks, and non-eligible currency was broadened. Some forms of currency previously classified by the Reserve as eligible currency now became ineligible under the Glass-Steagall Act. A provision was made in the Emergency Relief and Construction Act for direct credit extensions for construction and business demands.\*\* An amendment of March 24 permitted Federal Reserve banks to extend credit to non-member banks for the period of the emergency determined by the President.<sup>17</sup>

As a result of tremendous conversion of bank deposits into money, the figure for currency in circulation reached an all time high of over \$7.5 billion on March 11, 1933.

---

\* The Bureau of the Comptroller of the Currency was established May 9, 1863, pursuant to a law signed by President Lincoln February 25, 1863, and which was enacted for the primary purpose of assisting in financing the Civil War and the establishment of a circulating medium designed to move freely throughout the United States, without regard to the bank issuing such currency. It is from this secondary purpose that the Bureau probably acquired its name. Later, the name of the office of the Comptroller of the Currency was changed to the National Bank Administrator with little change in the office's responsibilities, except that it was made responsible only to the Federal Reserve System and totally independent of the U.S. Treasury. See Ross M. Robertson, *The Comptroller and Bank Supervision: A Historical Appraisal*, 2-3 (Washington, D.C.: The Office of the Comptroller of the Currency, 1968).

\*\* Eligible currency includes all of the mediums of exchange that the Federal Reserve will accept for rediscount. The 1933 Glass-Steagall Act made several forms of exchange that were previously classified as ineligible currency now eligible for rediscounting by the Federal Reserve. Those included all commercial and agricultural paper, drafts, bills of exchange, and banker's acceptances. See *Dictionary Of Finance And Investment Terms*, by John Downes and Jordan Elliot Goodman (New York, Baron's Educational Series Inc., 2003), pp. 210-211.

The U.S. Federal Reserve reduced the amount of currency in circulation and by June 30, 1933, it was down to \$5.7 billion. Toward the close of 1933 a minor expansion occurred along with increased economic activity. Under the surface of this relative stability in the quantity of currency, a dynamic change was instituted in the regulation of circulating money.<sup>18</sup>

Modifications of banking policies and procedures were primarily instituted by the Banking Act of June, 1933. Some additional regulations were amended by the Banking Act of 1935. Both enactments resulted from careful study. Problems of earlier bank supervision were reviewed by the House and Senate Banking committees in 1930. They also held prolonged hearings in 1931 and 1932. Similarly, nearly two years preceded the 1935 statute. Both laws involved compromises resulting from conflicting interests, prejudices, and partisan politics. A major accomplishment of the two acts was the separation of commercial banking, investment banking, and investment trust institutions, either directly or indirectly with the cooperation of banks through security affiliates like holding companies. Banks associated with security affiliates at the passage of the 1933 Act were granted a year to complete the separation. In 1933, public opinion invoked a discussion to remove restrictions on branch banking. The text of the 1933 Emergency Banking and Relief Act, introduced in the Senate, authorized a broad extension of the branch banking principle. Only one modification was made by the new banking law with regard to branch banking. National banks could organize branch banks in states that already permitted state branch banking.<sup>19</sup>

Further changes were implemented to eliminate various banking abuses. Member banks were restricted from making brokers' loans for other banks. This practice was

already unlawful under a New York Clearing House regulation. Interest payments were forbidden on demand bank deposits except where state law required it. Interest rates on savings accounts were instituted by the Federal Reserve System's Board of Governors. Interest rates were restricted to seven percent with national banks or one percent more than the rediscount rate on ninety-day currency set by the Federal Reserve, whichever turned out to be higher. The minimum requirement for national banks' capital stock was increased to \$50,000, and new national banks had to have an excess of twenty percent of its deposits before they could open for business. Despite conflicting theories, one contrasting specification was implemented into the 1935 Banking Act. National banks were allowed greater autonomy in credit extensions on real estate. Such credit could now make up a portion of the combined banking capital stock and surplus, or up to sixty percent of the bank's total savings accounts.<sup>20</sup>

### FEDERAL RESERVE SYSTEM

The Banking Act of 1935 went beyond the Emergency Banking and Relief Act of 1933, placing further restrictions and regulations on banking and financial institutions. It restructured the Federal Reserve System, setting up the basic organizational structure existing today. The Board became the Board of Governors of the Federal Reserve System, with seven governors, with one designated as chairman. The U.S. Treasury Secretary and the Comptroller of the Currency were eliminated from the Board, further separating the Federal Reserve as an independent regulatory agency from the executive branch. The Act formally assigned the board the authority to use its powers to promote favorable conditions associated with business activity.<sup>21</sup>

The Banking Act of 1935 altered the title of the Federal Reserve Board to the Board of Governors of the Federal Reserve System and reorganized the Board by eliminating *ex officio* members. It also increased the salaries and prolonged the terms of the Board members and restructured the Federal Open Market Committee\*. The latter was to consist of the seven members of the Board in addition to five executives from the Federal Reserve Banks, as opposed to the twelve heads of the Banks, under the Banking Act of 1933. It also completed a process begun in the Banking Act of 1933 by making it unlawful for banks to purchase and sell government securities for other corporations.<sup>22</sup>

Banking legislation during the Roosevelt administration drastically altered the policies and procedures of the Federal Reserve System. The Emergency Banking Act permitted Federal Reserve Banks to rediscount eligible currency on a temporary basis for nonmember banks, and to extend credit to member banks with non-eligible securities. By the Banking Act of 1933 and the Industrial Working Capital Loan Act of 1934, Federal Reserve Banks were authorized to extend credit directly to industrial corporations. New powers of control over member bank loans were allocated to the Federal Reserve Board by the Banking Act of 1933, the Securities Exchange Act of 1934, and the Banking Act of 1935, all of which consolidated responsibility and regulation within the Reserve System.<sup>23</sup>

The Emergency Banking Act authorization for Federal Reserve credit extensions

---

\* The Federal Open Market Committee was established under the Federal Reserve Act of 1913. The primary function of the committee is regulation of the money market and money market accounts and it determines the interest rate and credit policies of the Federal Reserve System. The FMOC has twelve members. Seven are Federal Reserve Board members and are appointed by the President of the United States. The other five are presidents of the other twelve Federal Reserve banks. Of the five, four are picked on a rotating basis and the fifth is president of the Federal Reserve Bank of New York who is permanent. The committee decides on increasing or decreasing interest rates by the purchase of government securities. See Jan Warren Duggar, "The Federal Open Market Committee's Proviso Clause: Application and Usage." 26 *Journal Of Finance* 885-895 (Sep., 1971).

upon ineligible funds or even without backing continued and with increased frequency. Those powers were already provided for by the Glass-Steagall Act of 1933. Extending credit to nonmember banks was a change in policy. Both powers were defined as emergency measures and confined to one year. However, an extension by executive order was allowed. The Banking Act of 1935 gave the Board permanent authority to allow financial advances to member banks on ineligible securities as it deemed necessary. Those advances were restricted to four months. Those financial advancements were set at a half percent higher interest rate than the current rediscount rate. More important was the authorization for direct Federal Reserve credit extensions to corporations when local banking institutions lacked the resources. Under the Emergency Banking Act, this provision had been temporary and limited to short term credit. The Industrial Working Capital Loan Act of 1934 made such loans an official policy of Reserve bank procedure, and permitted them for average terms of up to five years. Applications for these direct loans were numerous, and by the end of 1935, \$32 million of those loans were outstanding.<sup>24</sup>

Federal Reserve regulations over the loan policies of member banks were directed against the use of bank loans for speculative purposes. Under the Banking Act of 1933, the Federal Reserve Board\* was authorized to issue a maximum ratio of collateral credit

---

\* The Federal Reserve Act of 1913 created the Federal Reserve System as an independent regulatory agency. The agency, acts as the nation's central bank. The agency's duties currently include conducting the nation's monetary policies, supervising and regulating banking institutions, protecting the credit rights of consumers, and providing financial services to the government, financial institutions, and the general public. The Federal Reserve System is directed by a Board of Governors, which consists of seven members who each serve a fourteen year term of office. Governors are appointed by the President of the United States and confirmed by the Senate. The President also designates one of the governors to serve as chairperson of the board for a four year, renewable term. The Board of Governors sets the interest rate that the twelve Federal Reserve Banks charge member banks for loans, as well as the amount of reserves that banks must keep on hand. The board also sets margin requirements for financing securities traded on national security exchanges. Finally, the board establishes maximum interest rates on time deposits and

extensions consisting of capital and assets to member banks for each district. Specific restrictions were instituted on the collateral credit policies of individual member banks. The Securities Exchange Act of 1934 authorized the Board to set margin requirements on brokers' credit and on collateral bank credit allocated for the purpose of buying or holding securities. Finally, the 1935 Banking Act empowered the Board to increase member bank reserve requirements up to twice their former ratios. A small stipulation of the Banking Act of 1933 changed the responsibility over foreign financial exchanges from the New York Reserve Bank to the Federal Reserve Board. One stipulation limited Reserve bank purchases and marketing of U.S. securities to open market transactions. Control of open market transactions was transferred from the Reserve banks to the Board. These changes in regulation and responsibility, in addition to the increased control over member bank credit extensions given to the Board by other statutory provisions, provided an increased system of bank regulation.<sup>25</sup>

The Federal Reserve System played a small role in providing the capital means of digging the banks out of the 1933 banking crisis. The RFC was primarily responsible for giving America's banks the financial means that led them to economic recovery. However, the Federal Reserve did help to restore America's banks by increased oversight, regulation, and structure. Between May 17 and October 25, 1933, the Reserve banks purchased \$550 million of federal securities. Discount rates were decreased in 1934 and 1935. Federal Reserve purchases of \$500 million of federal securities were minor when the government was allocating billions of dollars. Commercial loans continued to decrease, economic activity proliferated, and by 1935 the Board encountered

---

savings deposits for its member banks. See Clark Warburton, "Monetary Control Under The Federal Reserve Act." 33 *Political Science Quarterly* 505-534 (Dec., 1946).

a new problem associated with excess reserves. Member bank surplus funds first attracted public notice in 1934 when they exceeded \$1.5 billion and continued to increase. Under authority allowed by the Banking Act of 1935, the Board increased reserve requirements for all member banks by fifty percent. The change was instituted as of August 15, 1936. In one single change of policy, excess reserves were decreased from \$3 billion to approximately \$1.9 billion. In addition, full doubling of the reserve requirements was implemented on January 30, 1937, thereby eliminating an additional \$1.5 billion in excess reserves, reducing them to \$500 million.<sup>26</sup>

Between March, 1933, and December, 1936, the most notable banking achievement was the establishment of nearly fifteen-and-a-half-thousand state and national banks. An increase in bond prices over the next three years helped to prevent a return to banking failures. In 1936 the nation had eight thousand fewer banks than in 1929, and banking capital was reduced by \$2.5 billion. The survivors formed a less dangerous and more efficient banking system than had existed in 1929. Many companies were, to an increasing extent, providing capital for their operations and making purchases from working finances rather than through bank loans. Increasingly they were using banks as holders for their excess profits as an alternative to credit. Likewise, the Federal Government's economic stimulus packages and recovery programs, along with a steady increase in gold stocks after 1933 added to banking capital without expanding bank credit extensions. Both demand and time deposits in commercial banks increased from \$28 billion in June, 1933 to \$35 billion in June, 1936. Commercial loans declined over these three years from \$7.8 billion to \$6.5 billion. Not until 1936, according to the Federal Reserve, did commercial credit increase.<sup>27</sup>

## RECONSTRUCTION FINANCE CORPORATION

The Reconstruction Finance Corporation had been established by the preceding administration and was inherited by the Roosevelt Administration. The Reconstruction Finance Corporation could lend up to \$3.8 billion to financial institutions, agricultural credit institutions, railroads, and public agencies. Various legislation, from the Emergency Banking Act of March 9, 1933, to the Disaster Loan Act of July 26, 1935, broadened the range of RFC activities, extending its total funds to \$5.7 billion. The total of its reserves and funds eventually exceeded this amount. Repayment of prior loans increased its capacity to make additional loans by replenishing the Corporation's capital.<sup>28</sup>

Nearly two billion dollars, almost one-third of the RFC's advances after March 1933, were lent to banks, but the structure and purpose of banking credit had changed tremendously. During the Hoover Administration, most credit had been given to prevent established banks from closing. In the summer of 1933 the decision was made to allow the RFC to lend to closed banks on their available assets, to enable them to liquidate at least part of their remaining deposits. The prior restriction of such loans to \$200 million was lifted. By April, 1934, over \$700 million had been extended to executives and officials of closed banks, allowing them to repay an equivalent value of frozen deposits far sooner than previously anticipated.<sup>29</sup>

A second authorization of RFC aid to financial institutions came about with the Emergency Banking Act, which permitted the RFC to purchase preferred stock and debentures of banks. These investments were authorized in order to allow closed banks to

reopen, to permit open banks to extend their loan guarantees, and to support the capital assets of open banks to meet FDIC and Federal Reserve requirements. Usually the stockholders of the banks and other local groups were required to invest an amount equal to the RFC's allocation. Although the RFC did not specifically invest, it participated by making loans, and it retained a controlling influence over the policies of banks they financed. After autumn of 1933, the RFC increased its investments in loans to banks.<sup>30</sup>

By December 31, 1935, the gross banking credit and disbursements permitted since RFC's founding amounted to \$3.658 billion. From these authorizations, credit and investments totaling \$2.972 billion equaled 52.6 percent of the country's reported commercial banking capital for 1935. Nearly \$1.7 billion of the credit and finances, however, had been repaid. RFC advances to banks during 1935 were far under the amount for the previous year, and were rapidly decreasing. The repayment of banking loans during 1935 exceeded new credit by more than \$200 million.<sup>31</sup>

The Federal Treasury provided the \$500 million of original RFC capital stock. By far most of the capital was provided for by the sale of demand or short term notes. Most of these notes were bought by the Treasury, excluding the \$250 million of the Series E notes\* purchased by banks which marketed preferred stock or debentures to the RFC, and the \$100 million of February, 1934, notes paid out for RFC gold purchases in Roosevelt's dollar devaluation program. As successive series of short term notes purchased by the Treasury matured, they were replaced by new series and also sold to the Treasury. Since the RFC continually expanded its programs through 1935, the later series were

---

\* The Series E notes were first issued during the Roosevelt administration. The Series E notes were accrual bonds that were issued at seventy-five percent of their face value. Interest is paid at redemption as part of the current redemption value. Series E bonds had varying maturity dates depending on the date of issuance ranging from five to ten years. They were originally issued in 1935 to provide means of funds for the U.S.

consistently greater in amount than the notes they replaced. By December, 1935, almost \$4.35 billion of these notes had not matured. In 1936 there was a formal reduction in the figure to under \$4 billion.<sup>32</sup>

### FEDERAL DEPOSIT INSURANCE CORPORATION

Federal Deposit Insurance was not originally part of President Roosevelt's program for banking recovery. Nevertheless the program became an integral part of the nation's financial recovery. The proposal was introduced by Congressman Harry B. Steagall, chairman of the House Banking and Currency Committee in 1932, but died in the Senate because of tremendous opposition led by Senator Carter Glass, a senior Senator presiding over the Senate Banking and Currency Committee. Glass supported only a financial organization to advance to closed banks the approximate amount of frozen deposits needed to complete restoration. In 1933, Steagall and Glass compromised to include each of their proposals and recommendations to incorporate them into Roosevelt's Emergency Banking and Relief Act of 1933. The final document set up a national deposit insurance program with a comprehensive plan to become effective on July 1, 1934. A banking insurance proposal had passed the House in May, 1932, and was introduced on the floor for debate in the 1933 Congress. The FDIC was set up under the Glass-Steagall Act, and became an integral component of the Emergency Banking Bill of 1933. The completed draft provided for the establishment of a Federal Deposit Insurance Corporation to insure bank depositors' accounts up to \$2,500 per depositor and to liquidate the assets of failed member banks.\* The regulations contained in the Act

---

Treasury. See United States Code 31 U.S.C Sect., 3105.

\* The FDIC limit has undergone significant revisions over the past several decades since the establishment

required all current members of the Federal Reserve System to have their banking accounts insured by the Corporation. Nonmember banks also could join to obtain insurance on their deposits upon application to and approval by the FDIC. After the FDIC was fully established on January 1, 1934, most of America's banks gained membership in the Corporation. By June, 1934, almost 14,000 of our country's 15,348 commercial banks, that held ninety-seven percent of all commercial bank deposits, were covered by insurance.<sup>33</sup>

There were two classes of capital stock involved. Non-dividend shares in the amount of \$139 million were purchased by the Federal Reserve Banks. The Treasury purchased \$150 million. This amounted to six percent of the total stock. Each member bank also bought six percent of the stock amounting to one-half percent of their total deposits. If needed, the FDIC could issue bonds up to three times its assets. All Federal Reserve member banks had to become members of the FDIC. Nonmember banks could also apply for membership, but if their deposits were over \$1 million by July 1, 1941, they would be required to join the system or leave the FDIC. Members of the FDIC were to pay a yearly fee not exceeding one-twelfth percent of their total deposits and uncollected assets. In addition, deposits would be insured no more than \$5,000 per deposit after July 4, 1934. Obviously, the Corporation would secure only small deposits. Large depositors would receive limited benefits. The Corporation insured only forty-five percent of the total bank deposits. Providing for further protections, the FDIC was granted the authority to examine the banking practices of its members. Upon notification, it could restrict a bank for unsound banking practices.<sup>34</sup>

---

of the FDIC. The limit was increased to \$5,000 on July 1, 1934, and successive alterations after Roosevelt left office increased the current level of \$100,000.

In 1933 many of the banks that became members of the FDIC still faced many problems after several months of operation under the Corporation's guidelines. If allowed to join without reorganization and restructuring, there existed the threat of closure in the near future that would institute heavy burdens on the FDIC. To avoid this liability, the RFC, throughout 1933, afforded to these institutions enough capital to complete the restoration process. Because of the financial assistance provided by the RFC to economic and banking recovery, no heavy burdens were placed upon the FDIC at the beginning of the Corporation's existence. The National Housing Act of June, 1934, aided the FDIC by granting insurance for the accounts of federal savings and loan associations, building and loan associations, savings and loan associations, homestead associations, and cooperative banks. One specific institution, the Federal Savings and Loan Insurance Corporation, held capital stockpiles of \$100 million. The institution was formed by the Home Owner's Loan Corporation (HOLC).<sup>\*</sup> Members were required to pay an annual fee of .25 percent of their aggregate deposits, until a surplus fund totaling five percent of the insured deposits was reached.<sup>35</sup>

#### RESTORATION OF AMERICA'S BANKS

On January 1, 1933, two months before Roosevelt took office, almost eighteen-thousand commercial banks were in operation. When the banking holiday ended, just over seventeen thousand remained and fewer than twelve thousand of those were licensed

---

<sup>\*</sup> In April, 1933, Roosevelt introduced legislation, patterned on the farm mortgage bill, designed to protect small homeowners from foreclosure. The Home Owner's Loan Corporation (HOLC), founded in the summer of 1933, allowed home owners who had lost their homes as far back as 1930 to seek government assistance by recovering lost homes and refinancing their homes through the Corporation. See *The Age Of Roosevelt: The Coming Of The New Deal*, by Arthur M. Schlesinger, Jr. (Boston: Houghton Mifflin Company, 1959), pp. 297-299.

for operation. More than five thousand unlicensed banks were left unopened, either to be reopened after restructuring and reorganization or to be closed indefinitely and either liquidated or merged with other financial institutions. Three thousand of these financial institutions were soon licensed and reopened while over two thousand never reopened. Changes in deposits were very consistent with the fate of unlicensed banks. From December, 1932 to March 15, 1933, deposits in banks conducting transactions dropped by one-sixth. Seventy percent of the decline can be attributed to frozen accounts in banks unable to obtain licenses, yet not reorganized, restructured, or liquidated and remained closed. By July, 1933 just over two-thousand of the banks, containing almost half the total restricted deposits, were liquidated. However, the closed banks held a greater amount of aggregate deposits. Three-fifths of the banks eventually opened for business but contained only three-eighths of the total deposits.<sup>36</sup>

Roosevelt's policies caused a tremendous decrease in commercial bank failures. A bank's losses associated with a bank's failure were passed on to the customer. Roosevelt's administration greatly reduced banking failures and this helped to restore the nation's economy. From 1921 through 1933, there were an average of six hundred bank failures and closures per year, reaching a height of over four thousand in 1933. That number declined to an average of under one hundred per year until 1942. The number of bank failures continued to decrease to an average of fewer than ten banks annually from 1943 to recent times. For a thirteen year period beginning 1921, depositors' losses averaged \$146 million annually. For the next twenty-seven years, losses averaged only \$706,000 annually. In addition, more than half the total losses over the twenty-seven years occurred in 1934 and were mostly an inheritance from the years preceding the

FDIC. The decrease in banking closures cannot be attributed to any correspondingly major improvement in the competency of bank officers or in the efficiency of financial executives. Nor can it be attributed to the FDIC even though it involved increased regulation and supervision of licensed state banks. Rather it is a reflection of two other factors. First, poorly managed and troubled banks are seldom allowed to close if they are insured. Instead, they are restructured under new management and organization. The supervision by federal bank regulatory agencies and sound bank mergers virtually eliminate closure. In addition, the establishment of the FDIC federalized banking in the U.S. and brought about closer supervision because banks had to become members of the FDIC in order to get their services and therefore have to comply with their requirements. The FDIC assumes responsibility for losses associated with depleted capital. Second, the confidence of small depositors increases, enabling them to rely on their finances even if the bank experiences financial difficulties, preventing the closure of one bank from influencing the transactions of other banks and forcing profitable banks to declare a banking holiday.<sup>37</sup>

Roosevelt's policies, as a result of the widespread losses imposed by bank failures from 1933 to 1960 and beyond, were successful in fulfilling what had been a major objective of banking reform for almost a hundred years. Public confidence in banking organizations soared. The banking crisis arose out of or became greatly intensified by a loss of confidence in the ability of banks to convert deposits into money and the public's desire to increase the amount of currency held in the form of money.<sup>38</sup>

If, for example, there should be a large and prolonged continuous decrease in monetary stocks, like the one that occurred from 1929 to 1933, the effects on the amount

of banking capital would most likely cause so many banks to become unsound as to eliminate available reserve funds of the FDIC. However, a large portion of the 1929-1933 decrease in monetary stocks was not independent of the previous bank closures. It was rather a contributor to them, because of their effect on the deposit-currency ratio and the incapacity of the Federal Reserve to compensate for the decline in the ratio by a significant increase in currency or solvency. Had the FDIC existed in 1930, it would very likely have prevented the decline in the deposit-currency ratio in the later part of 1930 and therefore the catastrophic unraveling of events that followed, including the tremendous decrease in monetary stocks. It may be true in modern times, that a radical change in the deposit-currency ratio would incite another crisis and a more suitable response in monetary policy making, so that, even without the support of federal deposit insurance, a banking crisis, once it began, would not be allowed to escalate. The establishment of federal deposit insurance greatly decreases, almost eliminates, the need to depend on such modifications.<sup>39</sup>

Requirements for admission to the Federal Reserve were changed to authorize the membership of mutual savings banks. Policies for regulating the founding of branch banks were changed, and double liabilities on national bank stocks were removed. Investment groups associated with commercial banks and other financial institutions were restricted. National bank notes were converted into a Treasury responsibility and a procedure was established to remove them from circulation. The license for distributing them terminated on August 1, 1935, with the redemption of the two remaining issuances of United States bonds carrying the circulation authorization. Banks were restricted by statute or official regulation from providing interest on demand deposits and from paying

interest rates on savings deposits greater than those stipulated by the Board of Governors of the Federal Reserve System for member banks and by the FDIC for licensed nonmember institutions. Member banks were also restricted from serving as agents of nonmember banks in providing capital in the form of securities in the stock market. Throughout U.S. banking history, scholars have entertained a theory in regard to interest payments on deposits. They claim it leads to unhealthy competition among banks, and requires them to lower reserves to a dangerously low level and engage in unsafe and unsound investment practices and credit policies because of the need to produce profits to pay the interest on bank loans. The suggestion was often made to abolish interest payments. Interest payment prohibition was finally administered for demand deposits in member banks with the Banking Act of 1933. Regulations for demand deposits for other licensed banks were outlined in the Banking Act of 1935. This was possible due in part to the greater autonomy after 1933 to regulate banking and finance.<sup>40</sup>

One consequence of the exclusion of interest payments on demand deposits (checking accounts) was an increased decline in the need for associated banking deposits. The decline in bank to bank deposits in addition to the restriction of licensed banks acting as agents of non-bank creditors in providing investments in the stock market added to the decrease in security credit by banks and the declining roll of credit extension as a way of providing secondary reserve investments.<sup>41</sup>

#### EFFECTS ON THE AMERICAN ECONOMY

As a consequence of the restoration of America's banking and financial institutions, a rapid increase in personal income and industrial productivity came about. A

minor economic downturn in the last six months of 1933 was followed by economic recovery in the first part of 1934 and then another downturn. A prolonged and fairly continuous increase in income and productivity did not get underway until late 1934 and then it was primarily related to the production of nondurable products and services and government purchased goods. At the price level peak in 1937, the non-durable prices of industrial production were over twenty-one percent above 1929 levels, whereas the durable price level was around six percent under the 1929 value. This variation reflects an abnormally low level of private capital formation. Private investment remained at low levels until 1936. When it became positive in 1936 and the first part of 1937, an abnormally large portion constituted inventory replenishments. At its highest peak in the first part of 1937, private construction was only one-third of the highest level attained in the 1920s.<sup>42</sup>

In addition to production, wholesale prices began to increase in early 1933, mostly for the same reasons as other economic activity. Wholesale prices then stabilized to increase again at a more moderate rate from 1934 through mid-1937, disturbed only by a mild decrease in 1936. From the 1933 through 1937, wholesale prices increased almost fifty percent. The cost of living increased markedly less, by thirteen percent. The large changes in monetary stocks are aligned with those in income. From April, 1933, the recorded monetary stock increased fifty-three percent to its highest point in March, 1937, or at an average yearly rate of almost eleven percent. The increase is unparalleled in U.S. history during a four-year period except for the years 1879-1883; in response to the depression of 1897-1901; and during World Wars I and II. Monetary stocks in 1933-1937, like personal income, did not attain the average 1929 level. The variation was,

however, much lower for currency than for income, so a difference between 1929 and 1937 of two percent in monetary stocks was transferred into a seventeen percent change in personal income. The 1937 peak was accompanied by an abnormally severe contraction in money as personal income. Monetary stock rises occurred during contractions\* in the economy, though at a slower rate than during the previous expansions. A truly interesting component of the 1933 to 1937 expansion is the relationship between the increase in monetary stocks and the increase in prices.<sup>43</sup>

After a recession in 1937, economic recovery came after the money stock was increased. Total output in GDP increased at continuous yearly percentages of 7.8, 13.1, and 12.1 from June, 1938, to June, 1941, in spite of a continued decrease in the deposit-reserve ratio in 1940 as an aftermath of the rise in reserve requirements. Doubtless, other factors contributed to the recovery and to its speed, but the rapid expansion in monetary stock certainly at least supported their activity. The economic gains remained high primarily due to the unprecedented magnitude of the preceding decline. Averaged over twelve years from 1929 to 1941, the growth rate of monetary stocks was less than two and a half percent annually. The real output growth was lower than two percent annually. Both were far under the overall average U.S. figures. How different the outcome would have been if the monetary stock had consistently grown at the average annual rate of two and a half percent, much less at the higher long-term rate, instead of decreasing by one-third from 1929 to 1933 and then increasing from 1933 to 1941.<sup>44</sup>

---

\* The term "contraction" is commonly used by economists and is used interchangeably with the terms "recession" or "depression" to describe the prevailing economic conditions of the times. The "Great Depression" has also long been referred to as the "Great Contraction" by leading economists. See Milton Friedman and Anna Jacobson Schwartz, *A Monetary History Of The United States, 1867-1960*. (Princeton,

## CONCLUSION

By the end of the 1930's, America's banks had completely recovered from the horrid situation in March of 1933, when Roosevelt took office. Perhaps this is best illustrated by calling the attention of the reader to the fact that on December 31, 1928, 7,635 national banks contained total deposits of over \$24.3 billion, whereas 5,266, with 1,515 branches operating in the United States on December 31, 1937, held deposits of over \$26.5 billion. This was an increase of over \$2 billion in national bank deposits. A restored banking system proved invaluable in meeting expanding commercial needs and should not be underestimated. A sound banking and financial system requires a monetary structure insuring the protection of the depositors.<sup>45</sup>

## **CHAPTER TWO: REGULATION OF GOLD AND SILVER**

After being inaugurated in March, 1933, Roosevelt, changed the regulation of gold and silver for the next several decades. Among Roosevelt's challenges was an economy beset by the depression. He had to create jobs, raise prices, and increase the available money supply, but to do so while on the gold standard would depress the dollar and lead to an outflow of gold. Increasing the money supply without adding to the gold stock could have made the dollar less valuable and exports cheaper, attracting foreign purchases of U.S. goods, causing a decline of gold stocks. He promptly halted gold exports, ceased convertibility of currency into gold and ordered U.S. citizens to turn in their gold. Almost five-hundred million tons of gold, mostly coin, worth \$321 million, was handed in for currency. The restriction on gold lasted until the Nixon administration. Such measures, however, did not resolve the issue of the money supply, so Roosevelt decided to increase the price of gold. Initially the price was raised a few cents a day without much effect. Thus, on January 31, 1934, Roosevelt determined on a final increase. The price was set at \$35 per ounce, which was a dollar devaluation of forty percent in the relation to the old value of \$20.67 per ounce. With the passage of this legislation the United States decided to go back on a limited gold standard under which the U.S. Assay office would not only buy all gold offered to it at \$35 an ounce, but sell to any central banks of foreign countries. In addition, Roosevelt decided to establish a silver purchase program in which the U.S. Treasury would buy all newly mined silver.<sup>46</sup>

### **DEPLETION OF GOLD STOCKS UNDER HOOVER**

The external drain upon the quantity of the United States gold and silver stocks, at

the end of 1931 through the beginning of 1932, threatened the ability of the U.S. to stay on a traditional gold standard. The depletion of gold stocks totaled \$1 billion, a large percentage of the monetary base within the span of a year. Before 1931, central banks and governments abroad had deposited \$1.5 billion with interest in U.S. banks, but France made a withdrawal of \$120 million in gold from New York on September 22, 1931. From September 16 to September 30, 1931, the U.S. monetary gold stock declined by \$275 million. The U.S. Treasury suffered a depletion of another \$45 million in October that returned gold stocks to their 1929 level. By the end of June, 1932, the monetary gold stock of the United States had fallen twenty percent from its 1931 amount of \$5 billion, which, up until then, was at the highest level that our gold stock had ever attained. The decrease in public confidence led to a heavy outflow of gold for hoarding purposes. The reserves of our banking system were threatened both by heavy withdrawals of gold and accelerating domestic currency demands, leading to a period of great borrowing difficulties from autumn of 1931 until the spring of 1932.<sup>47</sup>

On February 7, 1932, President Hoover was informed by Treasury Secretary Ogden Mills that the United States was within two weeks of being unable to meet the demands for withdrawals from abroad. The U.S. would have to leave the gold standard unless something was done to reverse the outflow of gold. In addition to foreign withdrawals, a large portion of the nation's gold was tied up in reserves as backing for deposits and currency in commercial banks. Federal Reserve banks were required to hold at least forty percent of the backing of Federal Reserve Notes in gold. In addition, Federal Reserve bank accounts had to be supported by no less than thirty-five percent gold or other lawful forms of barter, or short term commercial paper. Since most commercial

banks lacked enough support to meet the demands of their depositors, they were forced to use additional gold. Even more gold was hoarded by the American public as well as foreign entities.<sup>48</sup>

The year 1932 ended with a net rise in monetary gold stocks. The changing dynamics of both size and the direction of gold flows in 1932 constituted a decline in gold stocks of approximately \$500 million in May and June, that differed from an increase of nearly \$200 million in December. The total increase for 1932 as a whole amounted to \$53 million. During the first six months of 1932, the external decrease in gold and the internal currency retention were dominating influences. They were of large enough volume to permit banks not only to satisfy both the gold supplies and currency demands, but also to initiate a reduction in outstanding loans extended by the Federal Reserve Banks. In the last six months of 1932, the movement of gold and currency changed direction. Monetary gold stocks increased over \$50 million in July and over \$100 million in August and September, and almost \$75 million in October and November. In addition, U.S. banks were allowed to increase reserves from two other sources, such as the issue of new National Bank Notes and currency deposits.<sup>49</sup>

In the beginning of 1933 the foreign and domestic outflows of gold and money were part of the immediate cause of the banking panic. In December, 1932, a list of financial institutions published by the U.S. Treasury Department depicted those who obtained loans from the RFC. Publication of the list made known to the general public and depositors the extent to which each bank had had to resort to the RFC for support. Publication of the list helped to erode the confidence of the American people in banking and finance.<sup>50</sup>

## EARLY ROOSEVELT GOLD REGULATION EFFORTS

After 1929, widespread bank closure led to tremendous deflation. The decline in prices was the direct result of existing gold policies. From March, 1933, to the fall of 1934, the U.S. monetary system was greatly modified. Even though the classification of the U.S. monetary system changed at different times, gold had existed as part of our circulating currency or stored as support for the possible payment of debt since the founding of our nation. Roosevelt put the nation on a limited gold standard.\* The nation's supply of gold was stockpiled in the U.S. Treasury. Therefore, it would serve as a reserve for the Federal Reserve Note issues which now constituted the basic currency. At the government's discretion, gold was supplied for settling international trade imbalances. In relation to gold content versus international gold currencies, the dollar was devalued by 41.96 percent. Silver became nationalized, and a vigorous silver purchase program adopted. Finally, National Bank Notes were removed from the monetary system.<sup>51</sup>

By an executive order of March 5, 1933, which proclaimed the banking holiday, Federal Reserve banks or any other organizations were prohibited from shipping, earmarking, or in any way exporting gold or silver. The Emergency Banking Act of March 9, 1933, gave the President emergency authorization to regulate trafficking in

---

\* A true gold standard is a monetary system under which currency can be readily exchanged for a specified amount of gold. A true gold standard is usually specified in terms of the convertibility of currency to gold. Often the amount is equivalent to the selling price on the international market. Nations maintaining the traditional gold standards of the late nineteenth and early twentieth centuries were thought to be anti-inflationary. With a true gold standard a nation does not limit the exchange of currency for gold or silver and the convertibility ratios are pre-determined according to the world market values for the precious metals. Roosevelt took the nation off the gold standard for a short period and placed it permanently on a limited gold standard. It is often referred to as a limited gold standard because the convertibility ratio was artificially set and pre-determined by the administration and restrictions were instituted prohibiting the hoarding of either gold or silver. See *Dictionary Of Finance And Investment Terms*, by John Downes and Jordan Elliot Goodman (New York, Baron's Educational Series, Inc., 2003), pp. 290-291. See also *The Age*

gold, silver, and international exchange. In addition, it authorized the Treasury Secretary to require gold and gold certificates to be turned over to the Treasury in exchange for dollars. A Presidential proclamation of March 10, 1933, reopened banks but required specific authorization from the Treasury Secretary for transactions involving gold or foreign exchange. The banking holiday balanced the gold outflow initiated by the banking catastrophe in February, 1933. Gold exportation resumed on March 13, 1933, under Treasury licenses, and since export licenses were extended virtually without restriction, the position of U.S. currency in foreign exchange was barely affected. Foreign pressure against the dollar was relieved as the banking crisis disappeared during March. Most of the world at this time remained on some type of gold or silver standard or combination of both and Roosevelt gave no indication that he sought to permanently take the United States off of the gold standard. For those reasons the world assumed the United States would return to at least a limited gold standard at an early date.<sup>52</sup>

On April 5, 1933, came a drastic new development. The President issued a proclamation for the public to turn in all domestic gold to the Treasury by May 1, 1933. The proclamation nationalized gold by forbidding the retentive stockpiling of gold coin, bullion or certificates, and requiring all persons to turn them in to a Reserve Bank, branch, or organization, except for reasonable amounts for use in the arts and industry, and special coins editions. The public was allowed to hold a total of \$100 per person in gold coin and certificates. Federal Reserve member banks were also required to hand in all gold coin, bullion and certificates held by them or owned by them to the Reserve Banks of their districts. Roosevelt decided to adopt a policy of currency devaluation in

---

*Of Roosevelt: The Coming Of The New Deal*, by Arthur M. Schlesinger, Jr. (Boston: Houghton Mifflin Company, 1959), pp. 195-251.

order to facilitate price rises and with some general view to encourage commodity exportation. At this date he wasn't sure as to the extent and organization of a devaluation, but the nationalization of gold was a solid forerunner to a devaluation procedure. All funds taken in raising gold prices would now accumulate in the Treasury instead of in private hands. Another preparatory measure along those lines was taken on May 7, 1933. In an evening radio address, Roosevelt insisted that the Administration had a finite plan for increasing general commodity prices and expressed opposition to the inclusion of gold clauses in government bonds and other securities. On June 5 Roosevelt's official policy, written into a Congressional joint resolution, made unlawful the inclusion of gold clauses in private and government contracts.<sup>53</sup>

In spite of the continuance of a limited gold standard, it became apparent that dollar devaluation was ultimately unavoidable. The belief was reinforced by a growing sentiment in Congress for currency inflation to also include the use of silver. In addition to the change in convertibility ratio of dollars into gold, silver was also nationalized. The convertibility ratio of dollars to silver was arbitrarily set. On April 19, the Secretary of the Treasury issued a regulation specifying that licensure would be discontinued for the exportation of gold out of the United States for backing U.S. currency in foreign exchange conversions.<sup>54</sup>

President Roosevelt supported currency devaluation, but not an overall increase in the amount of money in circulation. In Congress, there existed strong inflationary constituents favoring an artificial increase in the amount of currency in circulation. Although their programs were distinctly out of compliance with the President's monetary policies, their influence was too strong to allow them to be completely ignored. President

Roosevelt was able to achieve a middle ground permitting, but not compelling, the expansion of the amount of currency in circulation. The resolution was outlined in the Thomas Amendment to the Agricultural Relief Act of May 12, 1933. At his discretion, the President could instruct the Federal Reserve banks to buy additional government bonds up to the amount of \$3 billion. Should the banks fail to initiate those purchases, the President could instruct the Treasury Secretary to release \$3 billion of currency with which to retire a great portion of the government indebtedness? If he deemed it necessary, the President could either place our monetary system on a bi-metallic standard, or reduce the gold convertibility of our currency by not more than one-half of its current ratio. The triumph of the alternating theories was limited. With firmness Roosevelt ignored the broad range of powers placed at his command. The President continued the policy of progressive currency devaluation through transactions in international currency exchange.<sup>55</sup>

A Presidential proclamation of April 20, 1933, completed the partial ban on gold exportation established on March 6. With this proclamation FDR took the country off the gold standard. Roosevelt prohibited earmarking for foreign depositors and banned the exportation of gold coin, bullion, and certificates. Some exceptions could be authorized by the Treasury Secretary. Discussions of inflation and currency devaluation, begun by gold nationalization of April 5, increased at an accelerated rate. Reluctant investors, particularly foreign investors and depositors, began to remove capital from the U.S. and invest abroad. Pressure on U.S. currency from foreign investors was accelerated by a quick drop of currency market traffickers when the value of the dollar against other currencies dropped even further. In relation to the franc, the dollar dropped from 25.4 on

April 5 to 21.4 on June 1.<sup>56</sup>

During the summer of 1933, FDR embraced the monetary theories of professors George F. Warren and Frank A. Pearson at Cornell University. In *Prices*, they theorized that the general commodity price levels of various farm products and raw materials may be controlled by changing the convertibility of U.S. currency artificially.\* Apparently the continual devaluation of U.S. currency in international exchange made available a favorable opportunity for modification of gold convertibility without taking aggressive action. The Treasury only had to purchase newly mined gold to be marketed at the world price instead of the prior price of \$20.67 per fine ounce. As U.S. currency declined in value, the world market for gold convertibility in U.S. currency would increase. By allowing an increasing amount of currency in exchange for an ounce of gold, the Treasury would witness the depreciation of the convertibility of gold into dollars. According to the Warren-Pearson doctrine, the American general commodity price levels would increase in proportion to the decrease of the gold conversion of U.S. currency.<sup>57</sup>

The effectiveness of modifying the gold standard is not easily measured. Immediately after the modification, U.S. currency began to depreciate. From April 20 to June 10, 1933 the price of gold increased 23.2 percent in the London free-gold market, while the price of seventeen of the most prominent American commodities in foreign trade increased forty-five percent. It is impossible to determine specifically how much of the increase was due to leaving the gold standard and how much may be attributed to

---

\* Under this theory a nation on a gold or silver standard could raise the price levels of its exports by artificially setting the price of gold above that of the international market. This would ultimately make that nation's currency less valuable (devaluation) and make the importation of that nation's exports more attractive to foreign governments. See George Frederick Warren, Frank A. Pearson, and Frank Ashmore's *Prices* (New York: J. Wiley & Sons, 1933), et al. and *The Age Of Roosevelt: The Coming Of The New Deal*, by Arthur M. Schlesinger, Jr. (Boston: Houghton Mifflin Company, 1959), pp. 35-36, 197-198, and 235-241.

other factors. It is apparent however, that it aided substantially in U.S. banking restoration, for it eliminated a significant contributor to many banking problems and it increased the gold stocks of the Federal Reserve from \$2.7 billion on March 8, 1933 to \$3.8 billion on April 5, 1933. The Reserve ratio\* also increased from 45.6 to 59.7 percent.<sup>58</sup>

A Presidential proclamation released on August 29, 1933, required the Treasury to accept gold from American companies for resale on the international market. The first transaction was initiated on September 8, at \$29.62 per fine ounce. By September 20, the amount was \$32.28, but then the devaluation program encountered an obstacle. U.S. currency steadied in relation to international currencies and, during the first half of October, recovered a considerable amount of the price decline it had lost. The international gold price diminished in the convertibility of U.S. currency, and by October 16 had dropped to \$29.00 per ounce. This was substantially lower than in the beginning of the gold purchase program. If the gold convertibility of U.S. currency was to be reduced further in compliance with the President's policies, more aggressive initiatives would have to be administered. A Presidential proclamation on October 25, 1933, changed earlier gold policies. No longer was the nation's gold price to be valued by the convertibility of U.S. currency by international exchange rates. Instead, the gold would be valued by the RFC, now permitted to buy all new gold mined in the U.S. On October 25, the Treasury made its first gold sale at \$31.36 an ounce, nearly forty cents above the

---

\* The Federal Reserve ratio requirement is the amount of cash and other liquid assets a bank must keep in proportion to the percentage of its total deposits. The money must either be retained in the nearest regional Federal Reserve Bank or kept in its own vaults. The reserve requirements are a main regulator as to how much money a bank can lend, which is directly correlated with the rate of economic growth and the nation's money supply. The Federal Reserve can control this by making the reserve requirement higher, which makes the amount of currency in circulation more scarce, thereby slowing economic growth rates to keep the economy healthy. See *Dictionary Of Finance And Investment Terms*, by John Downes and Jordan

international market. Official devaluation again depressed U.S. currency in relation to international currencies. Day by day, the value of U.S. currency dropped, as the RFC raised the gold price, setting figures just above the international market value. By December 1, 1933 the price was \$34.01. This amount was sustained for two weeks. On December 18, 1933, the amount was elevated to \$34.06, on December 31, to \$34.45, and a final price of \$35 was set on January 16, 1934.<sup>59</sup>

### GOLD RESERVE ACT OF 1934

By January 1934, the forty percent devaluation of U.S. currency instituted by President Roosevelt had been achieved, but a decline in the gold content of the dollar still depended on informal executive decisions, business relations with financial organizations, and federal regulatory agencies. Roosevelt still needed to execute a permanent policy by legislative action. In an announcement on January 15, Roosevelt asked Congress to adjust U.S. currency to sixty percent of its former gold value. He suggested the gold in the Federal Reserve banks be transferred to the Treasury in exchange for currency, so the revaluation profits on these gold stocks could be afforded to the Treasury rather than to Reserve banks. Of the \$2.808 billion profit which the Treasury obtained on its gold stocks, \$2 billion, FDR suggested, should be set aside as a currency exchange fund managed by the Treasury Secretary.<sup>60</sup>

Almost all of the suggestions were enacted in the Gold Reserve Act of 1934. Instead of absolutely specifying the gold convertibility of U.S. currency, however, the Act permitted the President to set the amount of the gold dollar to between fifty and sixty percent of its former value. When the readjustment would take place was left to the

---

Elliot Goodman (New York, Baron's Educational Series, Inc., 2003), pp. 580-581.

President. Under the act, the \$2 billion Currency Stabilization Fund was confined to two years and could be discontinued sooner or prolonged for a year at the President's discretion. A subsequent proclamation prolonged the program until June, 1939. The day after signing the Gold Reserve Act, the President set the new gold weight of the dollar. Now the gold dollar had to weigh  $15 \frac{5}{21}$  grains, 0.9 fine, which was 59.06 percent of the previous value. Gold would be worth \$35 an ounce as compared to the former price of \$20.67.<sup>61</sup>

The purpose of the gold purchase program was to raise general commodity price levels, particularly farm products and raw materials, which had maintained the largest relative decrease during the previous years of depression. That goal was, at the same time, pursued along with other New Deal initiatives. The National Recovery Administrations codifications and the Agricultural Adjustment Administration's production regulations were the most effective non-monetary measures. The goals pursued by the administration were initiated without any large change in the amount of currency, although the Thomas Amendment established the legal framework for an increase even without the authorization of the Federal Reserve. Most farm products and raw materials produced by the United States had an international market. The U.S. emerged as a leading exporter and importer of farm products and raw materials. The price levels of such products in international exchange were primarily affected by supply versus demand. The prices were determined by events in the United States only insofar as they affected the amounts produced or consumed by the U.S. population. Even then, those values are much less in percentage to the differentiation in U.S. scarcity and surplus. Therefore, the decline in the international exchange value of U.S. currency

produced an approximate increase in the general price levels of particular commodities, such as cotton, petroleum products, leaf tobacco, wheat, and other products. Roosevelt's goals to increase the prices of farm products and raw materials were largely achieved.<sup>62</sup>

The fall in the international exchange value of U.S. currency was primarily a result of speculative marketing of money with the hope of a short-term decline in gold stocks. The decrease was maintained by changes in the supply and demand\* of exports produced by the decline of internal deflation. The resolution of the banking crisis and the increase of public confidence in monetary policies were accompanied by an increase in velocity,\*\* an increase in purchasing, and rising prices. As a result, figures (velocity, purchases, production, and prices) increased in the U.S. in relatively the same proportions as they did in other nations. If the exchange rate of our currency had not declined, the price increase of farm products and raw materials would have made exports less

---

\* The economics of supply versus demand is deep rooted in classic economists such as Adam Smith and later expanded on by *Nobel Prize* winning British economist John Maynard Keynes. Keynes established the theory that has come to be known as Keynesian economics. This theory maintains that economic recovery is best when it is stimulated by demand-side economics where growth is sparked not only by the supply of goods but also by an increased consumer demand with personal income growth. Largely in opposition to Keynesian economists are monetarist economists (like Milton Friedman) who contend that the most effective way to regulate total demand for raw materials is to control the supply of money. There exists much disagreement within both economics and politics as to the role of free markets and limited government and to the extent to how limited and just how free a market should be to flourish and grow. Scholars from Friedman to Marx disagree substantially on the role of government in political economy. For a more elaborate discussion of political economy see Jean Edward Smith and Herbert M. Levine's *Conduct Of American Foreign Policy Debated*, (New York: McGraw-Hill Publishing Company, 1990), pp. 407-424. See also *Dictionary Of Finance And Investment Terms*, by John Downes and Jordan Elliot Goodman (New York, Baron's Educational Series, Inc., 2003), pp. 692-693.

\*\* Velocity is a common term associated with economists that involves the rate of spending or turnover of money. In other words, it is the number of times a dollar changes hands within a given period. The higher the rate of velocity the higher the frequency that money changes hands. In the 1920s economist Irving Fisher invented the term. Fisher showed how velocity has a direct relationship to a nation's Gross Domestic Product (GDP). Velocity is measured as the supply of money in relation to the GDP. Velocity affects economic activity that is generated by the currency supply, which is directly correlated to the amount of bank deposits and currency in circulation. The Federal Reserve Board regulates the nation's monetary policies by an examination of the rate of velocity. An increase in velocity may generate the need for an increase in the volume of money. A decline in velocity generally indicates slowed economic growth even if the money supply remains constant. See *Dictionary Of Finance And Investment Terms*, by John Downes and Jordan Elliot Goodman (New York, Baron's Educational Series, Inc., 2003), pp. 771-772.

attractive and made imports more attractive. These forces were afterwards reinforced by the U.S. gold purchase program. U.S. purchase of American mined gold involved a decrease in export commodities. Since gold is a possible export commodity, the country experienced a decrease in the demand for currency by holders of other mediums of exchange to purchase domestically produced gold. The purchase of gold abroad involved an increase in the demand for commodities for importation in the form of gold, and therefore in the amount of money given in exchange for international currencies to purchase gold abroad. The primary purpose was to create a possible imbalance in the U.S. payment balance at the previous currency ratio. With a variable ratio, the possible imbalance was equaled by a devaluation of U.S. currency sufficient to initiate, through a rise in exports or a decrease in imports or a change in special funds, an amount sufficient to compensate for the gold.<sup>63</sup>

That gold was the item purchased only mattered in that Gold has always been the international and universal form of exchange practically throughout the history of mankind and currency.\* Given a variable exchange rate, the purchase of virtually any commodity would effectively increase other commodity price levels. The prices of exported commodities would have changed at the same rate if the U.S. had purchased wheat, petroleum, farm products, involving the stockpiling surpluses of foreign-produced strategic goods. Of course, if one of these other products had been used as the medium for the purchase program, gold would have been one of the items of domestically produced resources, export of which was increased by the U.S. currency depreciation,

---

\* Almost every civilization since the dawn of man has instituted gold and silver in some form or fashion to be used as currency. For the history of the coinage and usage of gold and silver as a form of barter, see Adam Smith's *An Inquiry Into The Nature And Causes Of The Wealth Of Nations*, vol. I, pp. 24-32 (New York: Random House, Inc., 1994).

and one category of products produced internationally, importation of which was discouraged by the decline. As a consequence, the proposed variation of the purchase program intended to make the approximate increase of gold smaller or the average decline of gold greater than it would be otherwise. The use of gold as the medium probably gave a surplus of gold, just as the use of wheat, petroleum, or other farm products would have meant a surplus of such products.<sup>64</sup>

Placing this theory in a somewhat different perspective, allow the purchase program to be for OPEC oil. Then, given the internal monetary position of OPEC, the price of their petroleum in the amount of their money would increase. The price in their money of non-OPEC exports would probably decrease, since the decline in value of U.S. currency would increase the value to Americans in dollars and reduce the quantity amount required at the former OPEC value. The cost in OPEC currencies of products purchased by them from the U.S. would also tend to decline, since the depreciation of U.S. currency would result in a reduction equivalent to the previous currency price. It is not likely a predictor of what would happen to other prices. Some could maintain current levels, some would increase, and others decline, depending on their replacement in consumption and production for other products. Let us assume the U. S. were on a gold standard and be the only nation on one. Let's also assume the U.S. made the decision to keep gold stocks plentiful, thus forcing all international gold to be purchased elsewhere. This could occur as a result of a general decrease in U.S. prices sufficient to cause U.S. currency to decline in value in relation to other foreign currencies, thereby making American produced goods and services less expensive on the international market. This amount should be greater than the decline to other currencies so that the set value for

gold, multiplied by the dollar value of other foreign currencies, yields a U.S. currency price higher than, or equal to, the selling price of gold in other mediums, times the value of those currencies in dollars. It would then be less expensive for foreign governments to purchase gold in other nations than to obtain it from the U.S. at a set dollar value. The United States could have avoided a decline in gold stocks at the expense of going through a deflation. At the lower general price level in the U.S., the prior gold stock has a greater value in reference to products and services. Therefore, it would be appropriate for the U.S. to allow part of the variation through a decrease in gold stocks weighted in gold bullion. It is clear how the changes would happen if all nations except the U.S. used gold standards. The gold surplus demanded by the United States would be supported both from new production and by a decline in monetary stocks that otherwise would have been kept. This would be equaled by a decrease in price levels in terms of international gold stocks. For the U. S., the principal effect of the existence of some gold standard nations or of all other nations' adherence to the gold standard would be a difference in the volume of the devaluation of U.S. currency in relation to international currency. The devaluation would have to be sufficient to imbalance not only the variation in supply versus demand produced by the purchase program but also the decrease in the general price levels in gold value internationally. If the program pursued provided for purchasing a specified amount of currency each period in gold, there would be a secondary effect that the same amount of U.S. currency spent would purchase different amounts of gold.<sup>65</sup>

The use of gold as the medium did have an outstanding influence on the success of the program internationally. In the first place a contributing factor would include a specific good. The initiatives had a specific influence on gold producing nations. In the

second place the effect would exist only for commodities supporting the monetary standard. It had a special impact on gold standard countries. Being committed to sell gold at a specific value in relation to their own currency, those countries saw a depletion of their gold stocks, which in turn facilitated either abandonment of the gold standard or internal deflationary pressure. Entirely aside from the changes in supply and demand of products they imported and exported coming out of the gold purchase program, those countries were placed in the position of having to adjust their whole nominal price level.<sup>66</sup>

Since the U.S. Treasury had formerly valued gold stocks at \$20.67 an ounce and paid only that value for the gold it attained from private citizens, commercial banks, and the Federal Reserve, it obtained an excess profit from a change in the value of the dollar. The Treasury could therefore print additional currency in the form of gold certificates up to a value of nearly \$3 billion without additional gold surpluses and still comply with the legal requirement holding a specified weight of gold. Gold certificates could not legally be owned by private citizens, but they could be placed in the Federal Reserve. To receive its profits the Treasury had to turn over gold certificates to the Federal Reserve, receiving in return a deposit credit that it could convert into Federal Reserve notes or pay by check.\* The economic effect was identical with an authorization to the Treasury to print and introduce into circulation nearly \$3 billion of currency in excess of the \$3 billion in currency already permitted by the Thomas Amendment to the Agricultural Adjustment

---

\* The United States monetary system operates on the premise of a funded public debt. This system was set up upon the recommendations of Alexander Hamilton, the first Treasury Secretary, who based our currency system on that of the Bank of England. Money (Federal Reserve Notes) gets issued because the federal government owes a bank. Each member bank of the Federal Reserve is required to buy government stock in the Federal Reserve which ultimately leads to the control in the amount of currency in circulation. See *Dictionary Of Finance And Investment Terms*, by John Downes and Jordan Elliot Goodman (New York, Baron's Educational Series, Inc., 2003), pp. 546-547.

Act.<sup>67</sup>

Out of the profit, \$2 billion was allocated to a stabilization fund set up under the control of the Treasury Secretary authorizing transactions in gold, foreign exchange, securities, and other credit allocations for purposes of stabilizing the exchange rate of U.S. currency. From February 1, 1934, the value of gold remained at \$35 an ounce until the Nixon administration. In that sense, the date marked the return to a limited gold standard. However, the gold standard to which the United States returned was very different, both domestically and internationally, from the one it had left less than a year earlier. The U.S. Mint, for the next forty years, purchased all gold brought to it at a price of \$35 an ounce but sold solely for the purpose of international balance of payments. The Federal Reserve continues even today to have a gold reserve requirement, but the state of the reserve has not been a primary influence on policy at any time since the 1930s.<sup>68</sup>

The specification in January, 1934, of a fixed gold price, rather than a market value as under the previous purchase program, meant that the amount of currency spent on gold was out of the direct control of U.S. authorities. At the fixed price, the U.S. government was obligated to purchase all that was offered, but the effects of those purchases were essentially the same as were transmitted with earlier programs. For the United States, the purchases brought about an increase in U.S. currency prices of other products relative to the U.S. currency value of imports. This can be attributed to an increase in prices of foreign traded products through the culminating effect of variations in exchange rates and in domestic commodities through changes in exchange rates and in commodity price levels internationally. For countries adhering to the gold standard, the value specified for gold by the U. S. determined the exchange ratios between

international currencies and U.S. currency. The arbitrary price of gold therefore stimulated a large increase in production and a rapid increase in government reserves. Production of gold in the United States including territories increased from lower than 81.25 tons in 1933 to 1,250 tons in 1940. The world saw a rise of 781.25 tons of total production in 1933 to 1,281.25 tons in 1940. The Treasury gold reserve increased from 6,250 tons when the specific price was artificially fixed in the beginning of 1934, to 19,687.5 tons by the end of 1940.<sup>69</sup>

In purchases of gold, agricultural products, or other goods, the U.S. government has three approximate sources of funds: taxes, deficit spending, and creation of money. One variation encompassing a support program for commodities carries no authorization to create money, whereas the support program for gold does, thereby automatically providing the financial means for its continuance. Treasury deposits at Federal Reserve Banks can be increased through gold purchases by gold certificate credits equal to the amount of gold purchased times the official price of gold. Except for a minor handling charge ( $\frac{1}{4}$  of 1%), this is the amount the Treasury spent by drawing a check on its deposits in acquiring gold. Gold purchases were usually financed in this way. Increases in the gold stockpile produced no automatic budgetary pressure. The link between gold purchases and Treasury authorization to create money was the main remnant of the historical role of gold, and still served to give gold some special monetary significance until the 1970's.<sup>70</sup>

Therefore the gold standard and monetary policies of the United States became intertwined. After 1934, the resulting policies were not a gold standard in the sense that the volume of gold or the maintenance of the total value of gold at a set value would

determine directly or even regulate the volume of currency. It is appropriate to label it, as Roosevelt did, a modified gold standard, ignoring the difficult problems of defining it. It was clearly a monetary rather than a reserve commodity currency, but it is impossible to accurately specify who managed the volume and under what theories. The Federal Reserve, the Treasury, and other regulatory agencies affected its volume by their policies in compliance with a number of goals. In reality, the Federal Reserve holds the authorization to make the volume of currency anything it chooses, within a broad range, but it has rarely related the goals under those terms. As long as the exchanges between U.S. currency and international currencies remained pegged, the behavior of relative stocks of currency internationally had to be close to what was produced by gold standards at the approximate international rate, even though the medium is very different. A modified gold standard probably is the best label to classify the resulting monetary standard which remained after FDR.<sup>71</sup>

Changes in prices in the United States after the abandonment of a true gold standard for a limited gold standard and purchase program under the Gold Reserve Act of 1934 confirm the view that price changes are connected to changes in gold values and the volume of gold represented by the dollar. They can be examined through a comparison of the price of gold with the prices of thirty primary commodities, mostly raw materials.\* According to Milton Friedman, the average prices of thirty primary commodities increased more rapidly than did gold prices from March to November, 1933, but the two illustrate a close parallel in their respective decline and fall. This connection clearly

---

\* The thirty basic commodities looked at in this analysis included: wheat, corn, oats, rye, barely, flour, beef, pork, lard, eggs, butter, cheese, sugar, coffee, cocoa, cotton, print cloth, wool, silk, burlap, copper, zinc, lead, tin, silver, hides, rubber, linseed oil, turpentine, and petroleum. See Charles O'Hardy, *Is There Enough Gold?* pp. 172 (Washington, D.C.: The Brookings Institution, 1936).

demonstrates that the change in gold prices was reflected in the prices of various commodities. The simultaneous drop in the two prices in July, 1933, is the result of an opposite influence, commodity prices decreasing the value of international currency. In July, there was a decrease in the speculative markets for cotton, grain, and stocks. This was mostly independent of international exchange controls operating to raise the purchasing power of U.S. currency and its value on the international market. One would conclude that the basic commodity price levels are tremendously affected by the price of gold, providing strong evidence for a commodity based currency theory. Roosevelt's policies of devaluing U.S. currency brought about an increase in basic commodity prices and therefore achieved the objectives set by his administration. Prices of basic commodities were increased and they probably would be affected if there were only one nation in the world on a gold standard and it artificially increased gold values.<sup>72</sup>

#### SILVER PURCHASE ACT OF 1934

One major aspect of the 1930s was the emergence of the silver issue. The silver price declined as world production was in excess of commercial demand. By December, 1932 it had decreased to a record low of 24.25 cents per ounce.\* Roosevelt artificially raised the price of silver the same way he did for gold in the 1930s. Silver mining felt the effects. In the fight for currency inflation beginning in 1932 and reaching a height in 1933 and 1934, the silver enthusiasts saw an opportunity. Representatives and senators from the Western states controlled the seventy-third Congress between inflationists and monetary policy conservatives. They brought to the President a variation in the use of

---

\* An ounce troy equals 480 grains. An ounce of silver was therefore initially worth 480 divided by \$371.25 or \$1.2929 at the time of the Thomas Amendment on May 12, 1933.

silver for monetary purposes or currency inflation. The President decided to allow the administration to commit to a silver purchase program.<sup>73</sup>

The first step in doing something for silver was the Thomas Amendment of May 12, 1933. The President was authorized to establish a standard silver currency and permit unlimited coinage of silver, if the Federal Reserve Banks refused his request to buy \$3 billion of government securities. For six months, some foreign debt restitutions to the Treasury were accepted in silver at a value of 50 cents per ounce. Roosevelt declined to use the authorization granted to him under the Thomas Amendment. The silver received in international debt restitution, 709.375 tons, was insufficient to have a lasting influence on the international silver market. Roosevelt stated on December 21, 1933, that the U.S. Treasury would buy all newly mined U.S. silver at 64.5 cents an ounce with the international price at 43 cents an ounce.<sup>74</sup>

The silver purchase program under this statutory enactment and later acts was still legally in effect until 1962. Continued Congressional efforts to repeal silver purchase policies were blocked. Under the authority of the legislation and continued Presidential executive orders, the Treasury received approximately 100,000 tons of silver, half in the first four years ending December 31, 1937, the other half from then to June 30, 1961.\* The first 50,000 tons of silver included 3,531.25 tons nationalized on August 9, 1934. Roosevelt ordered all citizens, with exemptions for silver used in the arts and silver coins, to turn over their holdings of silver to the U.S. Mint at prices of 50.01 cents per fine

---

\* On Jan. 22, 1962, President John F. Kennedy asked Congress to nullify the Silver Purchase Act where the treasury is required to buy all newly mined domestic silver offered at the fixed price of 90.5 cents per ounce. He also called for a repeal of the silver transfer tax, under which the government receives half of the profits reaped from silver purchases. Policy embracing Kennedy's recommendations was amended on June 4, 1963. See Milton Friedman and Anna Jacobson Schwartz, *A Monetary History Of The United States, 1867-1960* p. 485 (Princeton, New Jersey: Princeton University Press, 1963).

ounce, a similar policy to the nationalization of gold. The efforts were to reap for the government profits resulting from silver price rises. Another 27,500 tons consisted of newly mined U.S. silver. The remaining silver came from silver that was purchased abroad. The Treasury price for newly mined domestic silver was greater than the international price. Nearly all U.S. silver was purchased by the Treasury. The demand of American industry for silver was supplied by foreign silver. In April 1935, when the market price rose above 64.64 cents, attaining a height of over 81 cents at the end of the month, the Treasury raised the price two times, first to 71 cents an ounce then to 77.57 cents. The market dropped at the end of 1935, reaching a level of 45 cents in the beginning of 1936, but the Treasury price remained at 77.57 cents until December 1937, then decreased to the previous level of 64.64 cents.<sup>75</sup>

If the Treasury ended silver purchasing at the end of the first four years, what would happen to the expanded silver industry, forcing adaptation to the commercial market? Legislators sought to permanently withdraw silver from the commercial market, thereby reducing the world silver supplies versus international demand, and artificially set an international price of silver. The Silver Purchase program promised no immediate and extensive monetary expansion. Constituents lobbied for a further increase of Treasury silver stocks. On May 22, 1934, Roosevelt introduced legislation which he thought was the minimum policy to satisfy their worries.<sup>76</sup>

The President's recommendations were outlined in the Silver Purchase Act of June 19, 1934. In compliance with this policy, the Treasury was permitted to buy domestic and foreign silver until either the prescribed proportion of silver to gold was reached, or silver prices increased above the monetary value of \$1.293 per ounce. Silver

owned by the public could be nationalized at the President's discretion and bought by the Treasury up to 50 cents per ounce. Two days after the Silver Purchase Act was passed, the President issued a ban on silver exportation. The value of silver was expected to increase above 50 cents an ounce, and the ban would prevent citizens from avoiding nationalization at the 50 cent level by exporting silver abroad. Nationalization was commanded on August 9, 1934, and brought 3,531.25 tons of silver into the Treasury.<sup>77</sup>

Silver was purchased specifically to be used as currency. Since the government had no monetary use for silver, the bullion remained in the Treasury and certificates were issued against it. Under the law, the Treasury could revalue the bullion it received at \$1.29 per ounce, and issued certificates against that arbitrarily augmented value. That policy would have given the government increased revenue. Instead, at the President's direction, certificates were issued only against the bought value of the silver, and the issuance of more certificates against the revalued amount could be used as an additional reserve. Between June, 1934, and December, 1936, over \$650 million of new silver certificates were issued.<sup>78</sup>

In terms of national effects, the silver-purchase program, like the gold-purchase program, can be viewed as a commodity reserve currency program, or a combination of a commodity reserve currency program and a stockpiling program. In contrast with gold and the use of a different commodity such as wheat, only the amount of national output was effectively supported. On the other hand, like gold and wheat, purchases were made from U.S. production, foreign production, and international monetary stocks. Two and a half times as much silver was purchased internationally as from U.S. production. As with gold, the silver program offered clear evidence of varying the levels of stockpiled

products and the remaining difficulty of relatively altering the approximate prices by a governmental purchase program. U.S. silver production more than tripled, from just under 62.5 tons per month to nearly 187.5 tons per month in the four years from the Presidential proclamation of December 21, 1933. One important monetary policy in the silver program was the connective link between silver purchasing and the issue of currency. The large purchase of newly mined silver, and the variation between the monetary value and the international price meant that purchases raised the ability to issue money by a relatively greater amount than the amount paid for the silver. The federal Treasury issued silver certificates equaling the amount actually paid for the silver, and treated the increased monetary value as an excess reserve.<sup>79</sup>

It is not easy to evaluate the monetary effects of the silver-purchase program. It involved printing more silver certificates, totaling over \$2 billion, to add to the stock of money. However, the Federal Reserve was in a position to imbalance the direct effect of and the silver purchases resulting in a reduction of the gold inflow. The direct effect was that Roosevelt actually placed the U.S. on a bi-metallic currency standard because by the issuance of silver certificates both gold and silver was now linked to the monetary system of the United States. The additional silver certificates were a substitute for additional Federal Reserve notes which otherwise might have been issued. Up until the end of 1937, when silver purchases were the highest, it was likely that the silver purchases led to a more rapid rise in monetary stocks than would otherwise have occurred.<sup>80</sup>

The program involved government spending to stockpile a commodity and increase government assets, not in terms of budgetary figures but in terms of economic output. The expenditures were not large in comparison to the government's budget. At

their peak, from the end of 1933 through 1937, they averaged \$220 million annually for international and U.S. silver combined, compared to federal government expenditures averaging \$7 billion annually. They were fairly large in relation to the needs of the business they intended to help. Total U.S. silver production, even valued at the Treasury price, averaged only about \$40 million annually between 1934-1937. The total burden to the U.S. Treasury was, however, much greater. Therefore, as a measure to help the silver industry,\* including companies producing silver but also people supplying labor and other resources for silver production, even immediate returns from the silver-purchase program involved total Treasury purchases from \$5 to as much as \$25 or more, for each dollar returned to silver producers.<sup>81</sup>

## CONCLUSION

What was the resulting monetary standard? The standard created by this new legislation is difficult to define. Legally, it could be classified as a modified commodity standard, for the law allowed the possibility of altering the gold value of U.S. currency in accordance with the increase and decrease of the commodity prices. After the law was passed, there was no change in the gold content of the dollar until the 1970s, and the law was changed to make the resulting monetary system a gold-bullion standard. So long as the government or regulatory agencies agree to purchase and sell gold demanded at

---

\* The silver purchase policies of the Roosevelt administration in sum subsidized the silver industry. The federal government received in exchange a growing supply of silver for which it had no use and received no return. The cost of the silver purchase program to the United States government even exceeded what was paid for the silver at face value. Losses suffered by the government was as little as five to twenty-five times as much the government spent on silver. According to some economists this ratio is applicable to the \$40 million spent annually on silver during this period. These losses the U.S. government and citizenry should not necessarily be viewed as evidence of criticism of the silver program. Several nations abroad reaped tremendous benefits with its sale. See *The Age Of Roosevelt: The Coming Of The New Deal*, by Arthur M. Schlesinger, Jr. (Boston: Houghton-Mifflin Company, 1959), pp. 247-252.

approximately a pegged gold value at \$35 an ounce, and to permit the gold sold and purchased to be exported and imported on an unlimited basis, and to permit the national currency stock to respond to gold movements, then the U.S. remained, technically, on a gold standard. The gold value of U.S. currency was maintained in approximation to the price of gold on an international market. Those are the requirements of being defined as having a limited gold standard.<sup>82</sup>

The nationalization of gold and silver by the Federal Government was probably a good thing. If gold is so valuable, and if, over the long haul, it is becoming relatively scarce, then it is just as well to be preserved from wearing out or disappearing in any other way, especially when paper and other forms of currency are able to assume the monetary functions more cheaply and as efficiently. The primary purpose for changing the gold dollar was to increase commodity price levels, and upon restoration of the prices, to establish and maintain a currency which will not change with the economy. Another reason, according to Roosevelt, was to protect the international commerce of the United States from the adverse effect of a declining international exchange. The main conclusion as to the gold and silver policies' successes is that the major objectives sought by the Roosevelt administration were achieved through gold and silver policy changes. Prices and the economy recovered and the influences affecting them were mostly linked to gold policies.<sup>83</sup>

### **CHAPTER 3: INTERNATIONAL IMPLICATIONS AND APPLICATIONS**

Once the United States government adopted the gold and silver purchase programs with the Gold Reserve Act and the Silver Purchase Acts of 1933 and 1934, international pressure was instituted on both monetary stocks and the loss of currency. Coins were melted down, valuables pawned, and smuggling of these precious metals became prevalent across many international boundaries. Despite all of the problems associated with the gold and silver purchase programs, economies adjusted to catastrophic trade imbalances around the world. Roosevelt's efforts correspondingly brought the world to its feet, and the world whether willingly or reluctantly readjusted their monetary policies.<sup>84</sup>

#### **U.S. PRESSURE ON THE WORLD'S GOLD AND SILVER RESERVES**

There was little two way exchange when Roosevelt authorized the U.S. Assay Office to buy and sell all gold offered to it either from private U.S. citizens or from central banks of Europe, most of which were on the gold standard. The guarantee of a \$35 price started a virtual one-way traffic to New York for the next fifteen years. By 1935, the world was experiencing major problems in maintaining both trade balances and monetary reserves of gold and silver. On March 25, 1935, the United States ambassador to the Court of St. James, in a press interview in London, urged currency stabilization at the proper time. On April 8, the Roosevelt Administration defended the United States gold and silver policies and stated its willingness to stabilize an international monetary fund, but not on terms disadvantageous to the United States. Nevertheless, the U.S. Treasury gold and silver stocks soared. Before the price rose to \$35, the U.S. held 6.07

billion tons of gold. By 1938 they had 11.34 billion tons, and by 1942 20.205 billion tons, with the ultimate peak just over 22 billion tons attained in the late 1940s and the early 1950s. This was 75% of all the recorded and estimated monetary gold by then and half of all the gold in the world that had ever been mined.<sup>85</sup>

The increase in the Treasury reserves was supported by the gold mining boom triggered by the price rise to \$35. World output doubled to a new record of 1.2 billion tons by 1940, with the United States achieving a record production of 1.55 billion tons that same year, a figure not exceeded until 1988. Most of the new supply went into the Treasury's stock. Despite the hoarding in Europe and the United States in the mid-1930s, jewelry demand had fallen and indeed the high price initiated much liquidation of ornaments. Effectively, there was one buyer of gold in the world, the U.S. Treasury. It has been estimated that between 1930 and 1939 while new mine supply was 9.126 billion tons, the addition to monetary stock was 10.634 billion tons. According to these figures the U.S. Treasury's stocks increased by more than the total domestic mine output. It further suggests that some of the gold purchased came from hoarded gold as well.<sup>86</sup>

#### EUROPEAN ABANDONMENT OF THE GOLD STANDARD

Beginning in 1930, nation-states containing international gold monetary authorities encountered problems staying on the gold standard. Around the globe countries were in threatened of a financial catastrophe. The dynamics of the different economies were weakened first by the stock market crash of 1929, catapulting severe economic problems. Exacerbating these problems was the failure of *Kreditanstalt* \* in

---

\* Throughout the 1920s, *Kreditanstalt*, Austria's largest bank, became caught up in dangerous policies regarding credit extensions. During a number of years prior to the start of the 1930s Austria's imports were

Austria in 1931, bringing into suspicion the activities of many financial and investment organizations. Banks foreclosed on loan guarantees and currency was removed from circulation in England, largely paralleled to the problems encountered in the U.S. The Bank of England's gold supplies dropped by over thirty percent from the summer of 1928 to the fall of 1931. The gold standard in England came under suspension prior to that of the U.S., on September 21, 1931. A couple of centuries of a steady and reliable gold convertibility ratio, except for the late eighteenth and early nineteenth centuries, and immediately after the First World War, ended. A new gold conversion rate was synthetically established for gold at a lower value than it had been before. The abandonment of the gold system by the United Kingdom did not indicate that the citizenry were unable to stockpile gold bullion or gold coin. Instead, it meant that the Bank of England was not required to market gold at any certain exchange rate. The British gold exchange functioned basically as it had before. Financial institutions and citizens were able to traffic the metal, for both domestic and foreign use, at the specified

---

in excess of its exports, financing the difference by massive international lending, including the U.S. In 1930, reports about the security of *Kreditanstalt* led international and domestic Austrian investors to remove their deposits. In early 1931, the *Kreditanstalt* revealed that its losses amounted to greater than its equity assets. The Austrian authorities attempted to manage the predicament by elevating interest rates to make investments in their country more alluring. Austria attempted to restore confidence to investors by pledging that the Austrian authorities would insure the *Kreditanstalt's* deposits, but investors remained fearful that government support of the *Kreditanstalt* would lead to price increases and a weakening of the nation's economy. Large-scale capital movement accelerated, resulting in the financial crumbling of *Kreditanstalt*. As a result, Austria descended into the Great Depression. The economic tragedy of *Kreditanstalt* spread to the rest of the continent and as a result led to England's exodus from the gold standard in September, 1931. Three articles by J. Bradford Delong contain a discussion of this crisis in, "East Asia: Lessons From The Great Depression." Feb. 5, 1998, [http://www.j-bradford-delong.net/OpEd/East\\_Asia\\_Lessons.html](http://www.j-bradford-delong.net/OpEd/East_Asia_Lessons.html). (accessed Mar. 15, 2005); "The Economic Foundations Of Peace: International Economic Organizations.", Nov. 5, 1997, [http://www.j-bradford-delong.net/Econ\\_Articles/lal.html](http://www.j-bradford-delong.net/Econ_Articles/lal.html) (accessed Mar. 15, 2005); and "Those Who Do Not Remember History Are Condemned To Repeat It—And The Rest Of Us Are Condemned To Repeat It With Them: 'Lessons' Of History For The East Asian Financial Crisis.", Apr. 1998, <http://www.j-bradford-delong.net/Comments/Santayana.html> (accessed Mar. 15, 2005). See also *The Credit-Anstalt Crisis Of 1931*, by Aurel Schubert (New York: Cambridge University Press, 1991), et al. and *A Short History Of International Affairs 1920 To 1934*, by G.M. Gathorne-Hardy (London: Oxford University Press, 1934), pp. 262-269, 339.

value for each particular day. Monetary reserves, in the past, consisted of the public's holdings and government stocks. This terminology was now redefined to refer to only the stockpiles of central banks. The citizenry now stockpiled gold in large quantities. As individuals in other countries became skeptical of their nation's currency, they started building up private holdings. The Bank for International Settlements\* published that, within five years after England left the gold system, almost 3.11 billion tons, or seventy percent of all gold production during this time, was added to private holdings. The gold was acquisitioned because of apprehension of a continued drop in price and threat of war.<sup>87</sup>

Since 1931, when a monetary crisis in Europe had forced England off the gold standard and almost put Germany in bankruptcy, two strategies had emerged to counter economic depression. Nationalists urged dollar devaluation and high trade barriers to cushion domestic markets from the depression, at which point governments could begin internal economic recovery without interference from international events. Scholars felt that the depression worsened as international economies differentiated. The solution was simple: restoration of the gold standard and a reduction of tariffs. Overwhelmed by the economic crisis, most governments established aspects of both theories, mostly unaware of their contradictory nature. France installed trade barriers for protecting domestic price levels, and began stockpiling gold bullion to maintain the value of the franc. The English devalued the pound to improve its value on the international market and conserve silver reserves, while the U.S. tried to control production in an effort to increase commodity

---

\* The Bank For International Settlements was created through the League of Nations in 1929 before the crash of the New York stock market. Although the primary purpose was to settle international deficits still unsettled since World War I, it would play a tremendous role throughout the 1930s in the balance of international currencies and trade deficits. See R.S. Sayers, *The Bank Of England, 1891-1944*, vol. I, pp.

prices, without regard to international markets. France, Great Britain, and the United States also launched an aggressive internationalist cooperation, the World Economic Conference. The conference was scheduled to discuss gold and silver prices, and to outline a policy to regulate international wheat production. On July 3, 1933, Roosevelt sent a statement to the London Economic Conference\* rejecting a monetary policy introduced by the gold-bloc nations placing the United States at an unfair trade disadvantage. Five days later on July 8, gold-bloc nations of Europe officially announced they were going to remain on the gold standard.<sup>88</sup>

Due to the gold and silver purchase policies of the United States and famine, India lost 1.25 billion tons of gold to international markets. The Bank of France lost 200 million tons of gold in the first month of the start of the U.S. gold purchase program as dealers in France traded in French francs for gold at the local traditional rate and sold it to New York. On April 13, 1933, a license was granted by the U.S. Treasury for the export of \$600,000 in gold to the Netherlands, which was having difficulties maintaining the gold standard only a month after changes in U.S. gold policies. This was the first export of gold by the U.S. Treasury since the proclamation of the bank holiday. Five days later on April 18, 1933, the issuance of any further licenses for the export of gold was discontinued indefinitely. The next day the Treasury Secretary issued an official statement that no further licenses would be granted for the exportation of gold from the U. S. for purposes of the restoration of trade imbalances. On April 20, 1933, FDR

---

353-359.

\* The World (or London) Economic Conference in the summer of 1933 consisted of mostly European nations and the U.S.A. Among the items for discussion were import tariffs and monetary stabilization. Even though agreements met by the nations of France, England, and the United States didn't last and would later be readjusted, the conference did bring about a temporary international monetary stabilization. Up until this time, international monetary stabilization was a main concern of the international community. See R.S. Sayers, *The Bank Of England, 1891-1944*, vol. II, pp. 453-459.

instituted a gold ban. It was an executive order making it unlawful to earmark gold for foreign accounts, or to export gold coin, bullion certificates, except gold already earmarked for foreign governments or central banks and the Bank of International Settlements, or needed for the fulfillment of obligations entered into prior to the order. Gold could only be exported at the discretion of the Treasury Secretary. This increased pressure on the franc, making it impossible to maintain the original gold standard.<sup>89</sup>

By June of 1935 France was experiencing problems of maintaining the gold standard and executives at the Bank of France disclosed the part played by the United States in both replenishing monetary gold stocks and keeping French francs in circulation. Efforts by foreign governments to get help from the U.S. for stabilization of their monetary systems were not unnoticed. On February 3, 1936, the New York Federal Reserve Bank obtained a license to ship \$5 million in gold to France and the Netherlands. This was the first export since October, 1934. Five days later more exports of gold were shipped to Europe, amounting to \$3.935 million. In September, 1936, the League of Nations Financial Committee asked France, the Netherlands, and Switzerland to revalue their currencies to the English pound and the U.S. dollar. On September 25, 1936, the Federal Reserve Bank of New York announced a shipment of gold to France of more than \$43.532 million. Since the beginning of August, 1936, the United States had shipped a total of \$197.7 million in gold to France. Treasury Secretary Morgenthau announced a tripartite agreement between the United States, France, and Great Britain for the stabilization of each country's currency and for maintaining a stabilization on the international market. The agreement was only conditional on devaluation of the franc. The French franc was officially devalued on October 1, 1936, by twenty-nine percent of

its former value. Those efforts by the U.S. were minor and too late to keep foreign governments on a true gold standard. France devalued and came off the gold standard in 1936, ordering its citizens to surrender their gold.<sup>90</sup>

On September 26, 1936, Poland announced it would not devalue its currency despite France's decision, but was ready to join the tripartite agreement. The Netherlands and Switzerland came off the gold standard two days later. On the same day the Netherlands temporarily abandoned the gold standard and established a stabilization fund, but did not fix a specific value for the exchange rate. On September 30, the Swiss franc was officially authorized to be devalued by twenty-six to thirty-four percent of its previous value. Italy devalued its money and reduced import tariffs in October, 1936. Pressure was being felt in Eastern Europe as well. On September 26, 1936 the U. S. bought 500 tons of gold from Russia with \$15 million from the stabilization fund. Poland would eventually be forced to leave the gold standard and only Belgium managed to maintain the gold standard until the beginning of the World War II.<sup>91</sup>

In late 1936, there were further changes to the imbalances in international trade and monetary gold policies. The U.S. Treasury Secretary announced that the United States, Great Britain, and France had reached an agreement providing for the purchase and sale of gold with stabilization funds, for stabilization of the pound, the dollar, and the franc. The plan was meant to be on a temporary twenty-four hour basis. In November Belgium, Switzerland, and the Netherlands joined in the September 25, 1936 tripartite agreement for the promotion of international monetary equilibrium. Belgium had already stated its intentions to comply with the policies of the agreement. The U.S. Treasury also abolished all private gold exports, stating that gold had to move only through the

currency stabilization fund. In autumn of 1936 the importation of gold and silver into the U.S. Treasury became so large as to be excessive. It was excessive in the sense that the treasury held more gold and silver in its vaults than was needed to back U.S. currency at the new artificially set rates. In December, 1936 the Treasury adopted a new policy on silver and gold. The purpose of the new policy was to prevent an increase in already excessive stocks. By the end of December the Treasury issued a daily statement of the amount of inactive gold.<sup>92</sup>

In May, 1937, the Bank of England purchased \$21.409 million in gold as part of a proposed plan to relieve the load on the United States. On June 29, 1937, France stated that it could be forced to abandon the agreement. The next day, the French Cabinet Council changed its monetary policies of October 1, 1936, by eliminating gold content restrictions. This did not last. An agreement was reached on July 1, 1937, by the United States, France, and Great Britain for continuance of the tripartite arrangement. Problems occurred all through the following month, and in August the U.S. agreed to support the stabilization of world currencies, but did not favor stiff controls. In doing so, \$10.25 million in gold from inactive funds was engaged for shipment to France in November. This was the first major export of gold from the U.S. in several years. Also the U.S. Treasury released \$5 million in gold from its inactive fund to be transported to England for the British stabilization account.<sup>93</sup>

The increase in the U.S. price of gold initially made the value of international currencies much greater than currencies not backed by gold. From January, 1933, to September, 1934, the increase was seventy percent for the currencies of France, Switzerland, Belgium, the Netherlands, and Italy, and less than fifty percent for gold

prices. The gold standard countries' conversion rates increased in relation to U.S. currency but also in relation to international currency conversion rates. The differential appreciation measures the specific impact of the American gold purchase program on the position of the gold standard nations. The reason they lost gold meant they bore a larger aspect of the effect of the increase of the importation of goods from the U.S. Also, the gold standard countries saw a decline of exported goods to the U.S. than non-gold standard nations did. What this means is that because the gold standard nations' currencies became more valuable in relation to U.S. currency, they became more likely to import U.S. products. This effect discouraged the U.S. from importing goods from countries like France, Italy, Switzerland, and Belgium. However, there was an increase in the flow of gold into the U.S. Treasury from the gold standard nations. Non-gold standard countries also saw gold and silver being sold to the U.S., because the U.S. artificially set prices for gold and silver well above the world market price. However, non-gold standard nations did not lose as much gold as gold standard nations did. This helped to make smaller the initial impact internationally.<sup>94</sup>

In 1933-1936 the theory behind the installation and modification of gold programs was centered in France, the Netherlands, Belgium, Switzerland, and the U.S., who were then maintaining effective gold standards. The drive against the franc was so great that, though there was an enormous gold reserve in the Bank of France, French authorities sought to prevent a decline of gold by deficit spending.\* France decided to

---

\* Deficit spending involves borrowing by a government to compensate for an unbalanced budget. Deficit spending is probably most efficiently defined by a shortfall in government spending in relation to a government's funds, creating an imbalance that must be compensated through borrowing. It brings about increased economic activity for a short period, but eventually can quell economic activity by increasing interest rates. Heavy federal borrowing is often instituted at a time when consumers also want to borrow money. Because the government can pay any interest rate it needs to and citizens and businesses operate under limitations, they are forced out of credit markets by increased interest rates, thus causing economic

delay leaving the gold standard. The policy was a danger signal, precisely known as such, and raised the eagerness of private banks and citizens to transfer their French capital into gold while opportunities were still open to them. France remained temporarily on a gold bullion standard by instituting a policy of interest earning currency. A corresponding quest for gold led owners of international currencies to bid so high for the still convertible French franc that the principal purchasers of francs for the purchase of French products withdrew to a great extent from the market. This increased the imbalance of claims against French gold and, as these claims were processed, a drastic decrease of gold from France ensued in spite of efforts to stop it. The gold standard simply could not be maintained.<sup>95</sup>

Belgium was on the gold standard long after other nations had left it. The monetary authorities of Belgium into the 1940's refused to issue the permits required for the import of gold until the exchange price of the belga increased far above the gold exchange rate. The public had been forced to cover their obligations at an amount considerably larger than they had any reason to predict. One specific aspect of a traditional gold standard is strict compliance to the policies under which it is maintained. Belgium, therefore, must be held to have abandoned the gold standard it was trying to maintain in order to get rid of the markets that it tends to attract. The Belgian policy was an admission that freedom from those markets is more dangerous than the standard and is

---

growth to decline. This theorem is often associated with Keynesian economists who hold that the most efficient way to control economic growth is through governmental regulation of deficit spending. The idea of Keynesian economics was founded by winning British scholar John Maynard Keynes who challenged the ideas of previous economists such as Adam Smith who held that the most effective way for an economy to flourish is with very little governmental control. Other economists like winner Milton Friedman differ in that they believe the best way to regulate an economy is through the control of the money supply with very little other governmental control of economies and therefore are known as monetary theorists. See *Dictionary Of Finance And Investment Terms*, by John Downes and Jordan Elliot Goodman (New York, Baron's Educational Series, Inc., 2003), pp. 166-167.

also evidence that even a modification of the gold standard could not be maintained in Belgium, where gold markets are often strained. Problems with which we have been dealing are primarily challenges of nations that are already off the gold standard. They would not be in existence if a group of pure gold standards with no nations using gold and silver in circulating currency were the primary international makeup. Each nation in this discussion contains its own domestic and international components. The departure from strict adherence to pure gold standards, and the introduction of controls, arose partly from the existence of flexibility in the U.S. economy.<sup>96</sup>

Gold purchases under a gold purchase program coincide with a decline of funds to the U.S. from Europe mostly instigated by political changes. The first political change came about by the rise to power of Hitler in Germany. This led to an aggressive attempt to move capital out of Germany, primarily by Jews. Then the rise in apprehension of fear of war led to the movement of capital from France, Britain, and other European nations to the U.S.<sup>97</sup>

The U.S. gold purchase program created a deflation in the value of U.S. currency in relation to other international currencies. The deflation of U.S. currency caused a tremendous capital outflow in other nations all over the world. The capital outflow was greater than the gold-bloc nations were willing to undergo. Accordingly, in autumn of 1936, France and Switzerland devalued their currencies in conjunction with an agreement between the United States, France, and Great Britain. Other gold-bloc countries either followed suit or abandoned the gold standard. From 1934-1936, mostly before France and Switzerland devalued their currencies, and the three years thereafter from 1937-1939, the dominance of the gold-purchase program appears to have been clearly greater in the

second period than in the first. By using gold, from monetary imbalances to the exportation of capital, the gold standard nations supported the imbalance of the assets and the gold transactions described previously. During the prior period the movement of money had more of an influence on trade imbalances than on gold transactions.<sup>98</sup>

Looking at cost of living in the U.S. compared with Britain, France, and Switzerland, U.S. values (even when adjusted in international exchange) were under the amounts in other nations after 1933. This was lower than it had been for several years. This is the result to be presumed if the gold purchase program had a greater effect than the cash outflow had.\* A change in the prices of commodities in Britain, France, and Switzerland up until 1936 is direct evidence of the impact of the U.S. gold purchase program on those nations. After 1936, both France and Switzerland devalued their currencies and came off the gold standard. Gold losses encompassed a large payment imbalance reflecting an increase in prices domestically related to American prices. Once they devalued, the variable effect ended.<sup>99</sup>

After the French left the gold standard, the country with the truest pure gold standard was perhaps Cuba. Their monetary system prior to the 1940's consisted of heavy coinage of silver pesos. For almost thirty years the Cubans used U.S. currency as their money. The amount of U.S. currency in circulation in Cuba was an amount equal in relation to a pure gold standard. Prior to 1933, they could, without any real change in their policies, have had gold, representing all U.S. currency, as collateral backing of the

---

\* If the cash outflow from Europe into the United States had had the greater effect then we would have expected to see greater inflation than what occurred during this period. The increased inflation would have resulted in a continuance of the same cost of living rate or an increase in it. Because we see lower cost of living than we had seen in several years we would presume that the gold purchase program had a greater influence on increased economic activity at this time than the flight of capital did. See Milton Friedman and Anna Jacobson Schwartz, *A Monetary History Of The United States, 1867-1960*. (Princeton, New Jersey: Princeton University Press, 1963), pp. 420-492.

actual American notes in circulation. \*\* During this period the approximate circulation of these notes in Cuba was over \$400 million. This was around \$100 per person, an amount tremendously over the amount existing in the U. S. at the time. In a very short time span, and without the replacement by any other form of currency, all but \$25 million of the amount vanished in restitution of loans from the U.S. government. In light of domestic monetary price stabilization in Cuba, the question is whether the specified exchange ratio between the Cuban peso and U.S. currency did not initiate the loss of currency from that country. If non-transferable currency is desirable, a contraction of the peso as occurred in Cuba could be perceived as evidence of the influence of true gold standards providing artificial price settings. Inactive mediums of exchange should be provided through currencies with abandonment of rigid international currency stabilization.<sup>100</sup>

Sweden was the first nation and possibly the only country to change the gold value in an effort to counter gold inflation and to purchase products rather than a monetary metal. Beginning in 1931 Sweden began to purchase various strategic products and raw materials to serve as a reserve in times of shortage and to devalue its currency. Sweden appeared for a short period of time to maintain its leadership in freedom from a true gold standard by the purchase of products other than gold or silver as a currency stock, which was somewhat distinctive in monetary policymaking and later would

---

\*\* The method in which the Spanish and French gold coins would be canceled which circulated as the primary medium of money for Cuba went into effect in 1915. This new policy recognized a national legal tender that would consist of metal currency, while U.S. money would also be used simultaneously in all forms. The Cuban money was supported by gold and quickly increased in value at a rate of three percent over its exchange in value of U.S. dollars. The U.S. dollar remained through 1932, virtually the only form of money in Cuba. In 1924 the U.S. dollar consisted of eighty-seven percent of Cuban money. Subsequently, after the beginning of World War II, in 1939, Cuba experienced difficulties with the circulation of its peso and instituted the use of the American dollar once again and the use of the dollar was retired in 1945. See *Monetary Problems Of An Export Economy: The Cuban Experience, 1914-1947*, by Henry Christopher Wallich (Cambridge, Massachusetts: Harvard University Press, 1960), pp. 31-49, 141-149.

eventually cause prior monetary standards to be abolished.<sup>101</sup>

During this time, the only gold sold abroad by the U.S. was in exchange for silver purchases. On March 20, 1935, the U. S. Treasury sold one ton of gold to Mexico in exchange for silver. The next day, in an effort to remove pressures on other countries to sustain their monetary policies, the Treasury Secretary issued a press release stating the U.S. would accept applications by foreign countries seeking to purchase gold. On April 3, 1935, the U.S. sold additional gold to the Bank of Mexico to increase its monetary stocks, in excess of 1.603 tons, valued at \$1.8 million dollars. The Treasury sold 2.6875 tons of gold to Venezuela and 0.9375 more tons to Mexico, all transactions involving silver. The U.S. continued to sell gold in exchange for silver to Latin American nations by extending \$6 million in foreign aid to Brazil to support currency stabilization.<sup>102</sup>

From 1933 to 1941, there was a drastic difference between capital movement\* and trade balances in goods and services other than gold. A difference of a greater magnitude has never happened prior to or since that time. The variation is representative of large gold movements initiated by the gold purchase program and the transfer of stocks from Europe. The change from the total exportation and importation of capital reflected primarily the willingness of foreigners to transfer capital to U.S. dollars and securities rather than to retain holdings of other international currencies and securities. U.S. price levels were much lower than British prices and even lower in comparison to Swiss prices during the 1930s than during the 1920s and during the 1940s and 1950s. This variation is

---

\* There was a huge movement of capital (money) during 1933 to 1941 from Europe to the United States. A combination of political and economic factors encouraged domestic and foreign owners of assets to sell their holdings and move their money to the U.S., when offered more political stability and economic growth potential. The contribution to the economic growth rates of the U.S. was tremendous. It is not likely that the flight of capital to the U.S. would have occurred if FDR had not restored and provided stability to American banking and finance. See Milton Friedman and Anna Jacobson Schwartz, *A Monetary History Of The United States, 1867-1960*. (Princeton, New Jersey: Princeton University Press, 1963), pp. 420-492.

mostly reflected in the gold purchase program rather than the movement of capital.<sup>103</sup>

There was an increase in international new mine production in addition to large importation of non-monetary gold from India and to a much lesser extent China. These imports must be added to the production of newly mined metal in order to accurately calculate the available supply of monetary gold. The total importation of gold from India from September, 1931, to March, 1938, was slightly higher than the total production of newly mined metal for 1938. The imports from India are not great in comparison to the gold reserves in that country, or even with the total imports of gold over the last hundred years. Before India left a true gold standard in September, 1931, it held fourteen percent of international gold production. The value of gold exported after 1931 was no more than twenty percent of the gold stockpiled in India since 1493. India has absorbed gold since the dawn of man. The total importation of gold to India from 1910 through 1931 was more than 2,343.75 tons. The total exports from 1931 to 1938 were over 1,156.25 tons. India sold most of its gold at a huge profit. Prior to India's leaving the gold standard, the value of gold on the Bombay market was 21 tola per ounce. During the 1930s after the installation of the gold purchase program, the average price of gold doubled. Those individuals who bought gold at 21 tola per fine ounce and sold it for more than twice the original price had transformed non-revenue producing capital into revenue producing capital by selling at huge profits.<sup>104</sup>

In previous eras Indian trade imbalances had been regulated, for the most part, in the form of gold importation. It was realized that in periods of economic turmoil India would rely on these reserves. Reserves are intended to be accessed. If no nation should part with its gold, then a country like South Africa should keep every ounce of newly

mined gold it produced. To a large extent the gold was sold to accommodate the problems of economic turmoil, but undoubtedly a considerable amount was sold to reap the profits from a high premium. Also, gold traffickers all over India were aggressive in stockpiling gold for future markets. The gold exported from India and gold exported from the West differed because the gold from India did not come from the monetary stockpiles of the country. The export of Indian gold supported currency exchange and was aligned with exportation of raw materials. The export of gold allowed India to import products at a magnitude which otherwise would have been impossible. It allowed proceeds from the sales of gold, in short, to be shown in the increased balances of savings banks and provided capital for the expansion of corporations as well as providing government credit for future expansion and in addition the capital to build up international silver reserves.<sup>105</sup>

As in the 1930s, South Africa today is the world's leading producer of gold. Because of the gold purchase program in the U.S., gold production internationally, including South Africa, was greatly increased in the 1930s as compared to gold production levels of previous years. From 1932 to 1938, South African gold production increased by only 5.2 percent while the output internationally doubled. The large increase in international gold reserves, during that time, was due to increased production in nations other than South Africa. The relatively small rise in the percentage of newly mined gold in South Africa during this period may be attributed to the very large increase previously attained, and partially due to South African companies' use of the increase in gold prices to work low grade ores for the extension of the life of the mines. There was a decrease in the amount of gold taken with each ton of ore extracted by the large mines from 6.48 ounces in 1932, when South Africa left the gold standard, to 4.35 ounces in

1938, a decline of almost thirty-three percent. During the same period the approximate rise of gold production was 158 percent in the U.S.S.R., 119.9 percent in Australia, 104.5 percent in the U. S., and 54.9 percent in Canada, which were the next four leading gold producing nations at that time. Today the U.S., Canada, Russia, South Africa, and Australia still lead the world in gold production.<sup>106</sup>

Throughout the 1930s the Soviet Union, the United States, and the British Commonwealth were the largest suppliers of monetary gold. During the 1930s and 1940s the proportion of international gold production in the Soviet Union, the United States, and the British Commonwealth was fifty-seven percent. The rise in production in the 1930s in South Africa was the result of an expanded capacity for production resulting in five or six years where South Africa's production was more than 468.75 tons yearly. According to the chief of the Soviet Trust which was concerned with gold production, the U.S.S.R. produced more than 343.75 tons of gold yearly by 1938. The production of this amount was mainly done in the absence of machinery. Canada's gold production also rose quickly with the institution of the gold purchase program by the United States. Canada's production in 1938 was over 156.25 tons, which was fifteen percent higher than in 1937, and fifty-four percent higher than in 1932. The international gold production by the start of World War II was approximately 1250 tons, twice the production during 1929. With the installation of the gold purchase program, international production of gold in the 1930s and 1940s, was the highest it had been in history. Increased production and exportation levels are direct evidence that nations abroad used production and stockpiles of gold and silver to take advantage of the benefits of an increase in the value of those metals.<sup>107</sup>

## ABANDONMENT OF THE SILVER STANDARD IN CHINA, INDIA, AUSTRALIA, SPAIN, AND LATIN AMERICA

Even though Great Britain left the gold standard on September 21, 1931, and was the first country to do so, it was actions taken by the Roosevelt Administration that caused other nations to leave gold and silver standards or greatly modify them. Silver also was as instrumental as gold in settling international trade imbalances. In fact, in the months that followed Roosevelt's taking office, Great Britain, Italy, France, and Finland made payments in silver to the U.S. government to settle World War I indebtedness. On June 22, 1933, the London Silver Agreement was signed, requiring the leading silver producing countries to purchase and stockpile domestic silver. The leading users of silver were obligated not to change the silver composition of coins, demonetize silver, or dispose of silver in any way. On September 26, 1934, Secretary Henry Morgenthau Jr. bought 500 tons of silver sold by Russia, in an effort to stop an attempt by Russia to flood the silver market and to serve notice that the U. S. would do whatever it took to protect the monetary and exchange balance brought about by the agreement. Later that day executives changed their minds as to Russia's motives and in the following days were attacked by the press for making such a big deal out of a small issue. China too was forced off the silver standard and the silver purchase program of the United States did cause difficulty to other silver standard countries as well.<sup>108</sup>

Most gold and silver bought by the Treasury was through direct purchase. China was the nation most affected by the silver purchase program. China, during this time, was on a bimetallic monetary standard with silver equal to gold in importance, and maintained

it in almost complete isolation from the rest of the world until the Gold Reserve Act was passed by the United States. Even though gold was of equal weight to silver, China had restricted its use of gold because silver was much more abundant in China. China at the time was on a silver standard, though for minor transactions it also used local currencies of copper and nickel, whose value in silver varied occasionally. The exchange rate of silver varied in relation to gold. China therefore avoided the initial effects of the international depression. Its currency depreciated relative to other currencies, so its domestic price level would remain relatively constant. After Britain's devaluation at the end of 1931, and after the United States departure from gold in 1933, the situation changed drastically. China's currency appreciated, the country was subject to the pressure of domestic deflation, and it experienced increased economic problems. The problems arose with a decrease in exports versus imports. The possible trade deficit was countered by the exportation of silver, which tended to decrease the domestic currency supply. The problem was somewhat relaxed by the ability to issue copper and nickel coins which could fluctuate in value in relation to silver, but it is not likely that the variation was of primary importance.<sup>109</sup>

China officially banned silver exports, but it was almost impossible for them to prevent smuggling, or to prevent the Japanese from aiding export from the Northern provinces. From the very beginning of the Silver Purchase Act, China lost silver reserves. The extent, to which the Treasury pushed the silver program, in addition to the flood in the market by the Far East, worked to bring closer the one to three ratio of silver to gold sought by the Roosevelt administration. Not all predictions became reality because of what happened to gold and silver. The dramatic rise in U.S. gold reserves was partially

due to an increase in domestic production and to a greater extent, imports. They kept pushing the achievement of the silver objective further away. The more silver the Treasury bought, the more it needed to keep purchasing, in an effort to keep up with the increase in gold reserves, let alone the ratio.<sup>110</sup>

The amount of silver purchased by the U.S. Treasury from China exceeded every other source, including newly mined American silver. In 1930 silver production in China was in excess of 3,906.25 tons. In 1934 Chinese exportation of silver surpassed 6,250 tons, including an estimation for smuggling. Within two months of the enactment of the Silver Purchase Act of 1934, China's silver stockpiles began to fall. The increased value of silver led to its depletion, and therefore resulted in deflation in China. This meant lower prices and tighter money. Because of currency inflation, there was a tendency to temporarily reverse a foreign trade imbalance. The loss of China's monetary silver stock naturally affected bank reserves and initiated a decline in prices and monetary deflation. The situation is likened to that which existed in the United States during January and February of 1933. Silver proponents lobbied in 1932-1933 to increase the price of silver in order to restore purchasing power to half the world. After useless attempts to lobby the U.S. Government for accommodations to modify the U.S. silver purchase program, China imposed an export tariff on silver and silver continued to be depleted. On November 3, 1935, China abolished the silver standard, *de jure*. As a result China nationalized silver, ordering owners of silver to exchange it for bank notes. It also went through a reorganization of its banking structures.<sup>111</sup>

Silver owners benefited from the increased international exchange value of silver. If silver had been a commodity, the U.S. purchase program would have been less

effective, enabling the owners of silver to release their silver at an extraordinary high price. Because silver was the monetary base in China, the catastrophe was intensified by the economic effects of the drastic deflation imposed on China and the resulting economic disturbances. The deflationary pressure imposed on the Chinese, along with the economic problems, certainly contributed to the political instability in China. Most of the political capacity had to be devoted first to unsuccessful attempts to prevent the export of silver, then to the monetary reform of 1935. In addition, by converting China from a silver standard to an effective paper currency standard, the reform rendered it both easier and more tempting to pay for later war expenditures by the inflation of its currency. Under pressure of war and revolution, China probably would have departed from silver anyway, changed monetary policy, and buckled to inflation. But there can be little doubt that the effects of U.S. silver policy on China's monetary structure speeded up the likelihood of those events and increased their severity.<sup>112</sup>

Effective at 12:00 PM on November 9, 1935, the British Colony of Hong Kong restricted the exportation of Hong Kong currency and silver coins, Mexican dollars, and bulk silver, which replaced the ban on transactions of Chinese silver coin except with China. This action was a forerunner to the establishment of an artificial setting of currency convertibility, which was effective on December 5 through an ordinance of the Legislative Council ordering the removal of silver from circulation, with an amendment to monetary policies, and establishing an account for exchange stabilization. When looking at the close political connection between Hong Kong and China, the policy was needed in an effort to keep the Hong Kong exchange in line with China's previously existing currency.<sup>113</sup>

All other countries which used silver in any large amount also encountered problems from the U.S. silver purchase program. In January, 1935, Mexico tried to reduce its silver losses. Because of the increase in international silver values, the melted down price of the peso was over its currency value. Therefore, in an effort to keep the peso from being shipped to the U.S. either as coin or in a smelted form, President Cardenas decreed a bank holiday on April 27, 1935. He ordered all coins to be transferred to paper money, and banned the exportation of silver currency. At the time, some theorized that silver would no longer be used in Mexican coinage, but after an interval of a year and a half, Mexico, by changing its silver coins, had violated the London Silver Agreement.<sup>114</sup>

Other countries experienced problems associated with the U.S. silver purchase program. Like Mexico, countries all over the globe were hit by the increase in silver prices. Most of the sheltered initiatives they took resulted in a decline in silver usage. Australia also had to leave the silver standard, even though it would continue to be one of the world's leading producers of both gold and silver. Central America, South America, Europe, Asia, and even Africa felt the effects.<sup>115</sup>

On April 3, 1935, Costa Rica prohibited the exportation of silver coins and bullion, and in August a new currency was introduced into circulation. On May 3, 1935, Peru made it unlawful to buy, sell, hold, or export silver coins, and they banned exportation of all silver in any form, with an exception for newly mined materials. An additional stipulation permitted a new subsidized coinage of copper and nickel, which had to be minted in London. By May 17, Guatemala, Ecuador, and Colombia had also banned silver exportation. In July, 1935, the legislative body of Colombia permitted the

removal of silver money from circulation.<sup>116</sup>

The Bank of Spain made ready for an increase from silver prices by printing a tremendous amount of five and ten peseta notes, which were held for issuance if the silver peseta began to be worth more than its face value. Italy's proclamation removing silver currency and making it unlawful to hold silver was essentially a war policy. On the Northern coast of Europe, the city of Danzig\* invoked the removal of silver money in circulation. Ethiopia banned the export of its money because smuggling of the thaler became prevalent. Further eastward, in the Middle East, silver money went for a price over its face value, and the government in Iran permitted an issuance of additional copper currency to replace the silver money that had been melted down and smuggled. The government in Thailand was waiting for a favorable opportunity to abolish the silver content of their coins, in the amount of 31.25 tons, because silver was too scarce to continue in circulation. Reports from Singapore noted that the Straits Settlement Treasury put into circulation worn out five cent pieces of the 1917-1918 issuance. Those pieces held less silver than their 1930s coins. The effort was only temporary because of the subsequent decrease in the market, while in the emergency period it served to prevent currency retention and smuggling of those coins.<sup>117</sup>

Because of the abandonment or modification of the silver standard by several foreign governments, the use of silver declined internationally. International markets began to decrease in May, 1935, but the first sign of a problem occurred at the end of

---

\* This city lies on the northern coast of Poland. Although at one time or another a territory of various European empires including France, Russia, Prussia, Germany, and Poland, it obtained sovereignty with the Treaty of Versailles in 1919 and was established as the Free City of Danzig where it remained until World War II. Afterwards, Danzig was included within the borders of Poland and remained part of that country and remains as such throughout the present day. See *Merriam Webster's Geographical Dictionary* (Springfield, Massachusetts: Merriam Webster, 1997), pp. 416-417.

June. The London exchange became overwhelmed by large orders from Indian traffickers at the time of the June settlement, and by a rise in Chinese offerings. The U.S. Treasury continued to buy large amounts of silver, but its bids were subsequently at lower values. By July, prices were declining so fast that the Treasury was forced to purchase silver mostly from international markets in an effort to prevent an entire collapse of the silver market. The Treasury Secretary proclaimed that over 781.25 tons of silver were bought on August 14, 1935, but the effect on prices was virtually unseen. The New York price, which had averaged 74 cents in May, 1935 dropped to less than 49.75 cents per ounce on December 24, and averaged 58 cents that month. Silver prices continued to decline, reaching 45 cents by July, 1936, where they remained for the rest of the decade.<sup>118</sup>

Most problems involved with silver occurred in the last two months of 1935. Beginning at the end of October and running through the beginning of December, there was a continual decline in the London exchange silver market values. There were also no quotations for speculators and only a reduction on delivery prices. The U.S. Treasury remained the principal buyer of silver throughout 1935. Treasury officials stated on December 19, 1935, that the U.S. would purchase newly mined silver primarily from Mexico and Peru. In 1936, Canada and other South American nations were added to the list of nations that the Treasury primarily purchased silver. Also in 1936, the Chinese government was added to the list. Many nations had to adjust their monetary policies and systems to compensate for the loss in monetary gold and silver stocks. The Great Depression was not just merely transferred from the United States to other nations as some scholars argue. The purchase program by FDR served the main goal of raising the prices of the basic export commodities. The purchase program must also be credited with

helping other countries, such as India, to boost their economies. Even though the most conservative economists and scholars who disagree with most FDR's economic initiatives, agree that Roosevelt was mostly successful in boosting the U.S. economy with only minimal negative effect on other nations and also aided them in avoiding economic catastrophe. FDR's policies, although very needed at the time to bring the nation out of the Depression, should not be viewed as efficient universal principles to be pursued in managing every economy or in every era.<sup>119</sup>

## CHAPTER FOUR: MONETARY POLICY AND THE COURTS

Roosevelt's policies for managing the nation's currency and U.S. gold and silver supplies not only had tremendous domestic and international dimensions but also withstood aggressive court challenges. One by one many of Roosevelt's New Deal initiatives were struck down by the nation's judicial system.\* However, his monetary policies were upheld by the U.S. Supreme Court and endured for the duration of his presidency. Some scholars have challenged the soundness of the legal reasoning involved in the decisions of the Legal Tender and Gold Clause Cases that were heard by the Court during Ulysses S. Grant's and FDR's presidencies. Nevertheless, most economists believe that gold standards were not good for the economy and were difficult to maintain. Policies regarding the devaluation of the dollar along with the gold and silver purchase programs sought by the U.S. achieved the goals set forth by the administration. Because these programs were left intact, much of the improvement of conditions in the American

---

\* The ability of the judiciary or the courts to decide whether the actions of the other branches of government are in agreement with the Constitution is referred to as judicial review. All courts, federal and state, can use the authorization of judicial review, but the Supreme Court of the United States has the last judgment as to the Constitutionality of laws or actions of local, state, or federal governments. Judges exercise their authority of judicial review specifically in actual controversies challenged in the courts. They decide only real disputes, not theoretical questions pertinent to our laws. The legislative branch is prohibited, for example, to request the Supreme Court for legal advice on whether their actions are Constitutional. The judiciary would decide this type of case only if the proposal became enacted and a person brought suit. Even though judicial review is not specifically scripted into the U.S. Constitution, it is implied in Articles 3 and 6. Article 3 states that the federal judiciary has the authority to interpret all controversies related to the Constitution, statutes, and treaties of the United States. Article 6 implies that the function of courts must be administered for the protection and defense of the power of the American Constitution with regards for the laws of the several states in the union. In addition, in 1788 Alexander Hamilton wrote in *Federalist* No. 78 proclaiming judicial review as a way to invalidate all governmental functions as out of compliance with the Constitution. In order to organize a tiered court system for the U.S., Congress passed the Judiciary Act of 1789. Section 25 of this law allowed for judicial oversight by the Supreme Court of decisions by lower courts (including states) that encompassed controversies involving federal questions. Based upon these premises the "Great" Chief Justice John Marshall permanently established the power of judicial review within the nation's court system in *Marbury v. Madison* (1803). See *John Marshall: Definer Of A Nation* by Jean Edward Smith, (New York: Henry Holt and Company, 1996), pp. 309-326, for more complete discussion of this case. For additional discussion of *Marbury v. Madison* including its implications and applications in historical context see also *Civil Rights And Civil Liberties Debated* by Jean Edward Smith and Herbert M. Levine, (Englewood Cliffs, New Jersey: Prentice

way of life, as well as the economic successes of his administration must be attributed to Roosevelt's management of the U.S. Treasury, Banks, and the Federal Reserve.<sup>120</sup>

#### PROBLEMS WITH NON-MONETARY NEW DEAL LEGISLATION

The most dramatized and intense scrutiny dealing with the Court came over the use of governmental measures to invoke economic recovery. The economic turmoil of the 1930s had compelled the government to assume a number of responsibilities it was never assigned before. Elected to office on a pledge of drastic changes, President Roosevelt introduced a number of policy changes without the realization of the obstacles those policies would face in the courts. Congress was willing to comply with FDR's ideas. Convening in an extraordinary session in March, 1933, it passed Roosevelt's Emergency Banking and Relief Act in one day. In the ensuing weeks subsequent legislation was enacted founding the Civilian Conservation Corps, the Tennessee Valley Authority, the Home Owners Loan Corporation, and the Agricultural Adjustment Administration for the regulation of agricultural production. To the AAA the Senate and the House added the Frazier-Lemke amendment to maintain mortgages in agriculture from failure and subsequent alteration to raise the prices of farm products and permitting FDR to artificially set the gold convertibility of U.S. currency. Finally, the National Recovery Act was passed with broad implications permitting the President and trade groups to regulate commerce and production under statutory enactment.<sup>121</sup>

Congress did not legislate in its ordinary capacity. It rather supported the initiatives of the administration to answer the call of an emergency. Most of the

---

Hall, 1988), pp. 5-15. Also see *The Constitution And American Foreign Policy* by Jean Edward Smith, (St. Paul, MN: West Publishing Company, 1989), pp. 134, 213, 222-223, and 261.

legislation passed came straight from Roosevelt. All of the documents had been constructed with great pressure and by some individuals with little experience in government. Relations between the Supreme Court and FDR were very good when Roosevelt took office. Prior to serving on the U.S. Supreme Court, Charles Evans Hughes had served as governor of New York. Roosevelt crossed party lines in order to support Hughes even though Hughes was a Republican. FDR entered politics after being elected to the New York Senate the same year Hughes had left the Governorship of New York to take a U.S. Supreme Court appointment. On the eve of his Presidential inauguration, Roosevelt wrote to Chief Justice Hughes reflecting on their friendship and expressing his gratitude to Hughes for agreeing to administer the oath of office. No one would have predicted the mounting tension as questions of the constitutionality of Roosevelt's initiatives would arise in the courts.<sup>122</sup>

Roosevelt's New Deal problems in the courts began with *Booth v. U.S.* in February, 1934. In this case the court unanimously held that an economic policy was unconstitutional because it decreased the salaries of retired judges of district and intermediate U.S. courts. The opinion stated that retired judges could be brought out of retirement in certain instances and therefore they remained, in essence, on the bench in a lesser capacity. As stated in the U.S. Constitution, their salaries\* could not be reduced.<sup>123</sup>

In *Lynch v. United States*, (1934), the Court held unanimously that Congress had overextended the authorization to eliminate specific contractual obligations with the War Risk Insurance Act. In *Panama Refining Co. v. Ryan* (1934), also known as the "hot oil

---

\* The U.S. Constitution in Article III, Section I states, "The judicial power of the United States shall be vested in one Supreme Court, and in such inferior courts as the Congress may from time to time ordain and establish. The judges, both of the Supreme and inferior courts, shall hold their offices during good behavior, and shall, at stated times, receive for their services, a compensation, which shall not be

cases”, the plaintiff had argued that the Petroleum Code had been used for a year without specific statutory authorization. The case involved the constitutionality of the National Industrial Recovery Act (NIRA) of 1933. This Act provided for “Codes of Fair Competition”, in which representatives of the oil industry would meet to establish standards and rules, regarding wages for oil workers, rates of oil production, and oil prices. The President would review and approve each Industry’s Code, thereby giving it the force of law. This eliminated Congressional oversight and had the executive branch making law without legislative debate and discussion designed by our forefathers. Individuals had been arrested, indicted, and jailed for violation of statutes not in existence. The Court estimated that hundreds of policies and executive orders were written unlawfully. The judges were astonished by the magnitude and recklessness of unlawful presidential public policymaking. Chief Justice Hughes wrote the opinion himself. He held that the problems were rooted in Section 9(c) of the National Recovery Act. Congress had not issued any authorization to allow the states to regulate the oil industry or an oversight of the oil industry across state lines. It only gave the President the unchecked authorization to issue policies and to oversee the production of oil as he saw fit. Noncompliance with an executive order was made unlawful, punished by penalties and jail sentences. Congress gave executives the ability to make policy in order to remain in compliance with the law.<sup>124</sup>

*R.R. Retirement Board v. Alton R.R. Co., (1935)*, brought about an overturn of the Act authorizing an automatic retirement and pension system for railroad employees. A majority of five, with Justice Roberts speaking for the majority of the Court, held that the Act violated due process of law by confiscating the property of one and giving it to

---

diminished during their continuance in office.”

others. Justice Hughes dissented along with Brandeis, Stone, and Cardozo.

Acknowledging the problems with the legislation, they challenged the Court's opinion that it was not a regulation of interstate commerce.\* The dissent felt the Court should permit legitimate compensation for individuals injured without fault of the employer. They also allowed for legitimate payment for individuals who provide services to the business and become ill or injured over years of work or growing older.<sup>125</sup>

The government searched for a valid case to test the constitutionality of the NRA. The government feared that the NRA, one of its most effective initiatives, would be ruled unconstitutional by the courts. The search was for a case in which they believed there would be the greatest chance for program to be upheld. Employers were rebelling, small companies maintained that the NRA led to monopolistic behaviors, and the public was dismayed at the program's relationship to inflation. Lawsuits mounted and the administration brought suit to test the validity of the program in the Supreme Court in an effort to deter the fall of the NRA. In *U.S. v. Belcher, (1935)*, the government filed a lawsuit challenging the Lumber Code of the statute. They wanted to bring a case before the Court that they believed would be most likely decided in favor of the government.

---

\* Article 1, Section 8, of the United States Constitution gives Congress the power to regulate Commerce both internationally and between the states of the union. Commerce refers to the production, selling, and transportation of goods. If these business activities affect more than one state, the federal government may use its commerce power for oversight. Since almost all business crosses state lines, Congress has naturally used the Commerce Clause, as it is often referred to, to regulate interstate transportation. They have also used it to pass antitrust laws in the prohibition of monopolies. Congress has used it to set up independent regulatory agencies such as the Environmental Protection Agency, the Securities and Exchange Commission, and the Federal Trade Commission. Congress has also used the Commerce Clause to eliminate racial discrimination in hotels, restaurants, and buses. The Commerce Clause allows Congress to institute tariffs, or taxes, on imported products to protect U.S. companies and agricultural products. It also has allowed them to institute economic penalties, or sanctions, on other nations in support of foreign policy. Commercial issues are primarily regulated by the House Energy and Commerce Committee and the Senate Commerce, Science, and Transportation Committee. See *The Constitution And American Foreign Policy* by Jean Edward Smith, (St. Paul, MN: West Publishing Company, 1989), pp. 3, 116-118, 186-187, 227-288. See also *The Oxford Essential Guide To The U.S. Government*, by John J. Patrick, Richard M. Pious, and Donald A. Ritchie (New York: Oxford University Press, 2000), pp. 104-106.

They hoped that this case would deter other more questionable lawsuits from being filed. After the suit was filed, in the U.S. Supreme Court, the Solicitor General recommended to have the case dismissed to avoid having the Act struck down.<sup>126</sup>

In another case, *Schechter v. U.S.*, (1935), a poultry trafficker from Brooklyn, New York appealed to the Supreme Court to examine a Court of Appeals decision upholding the Live Poultry Code of the NRA. The differing views in the case illuminated the insignificant regional commerce the NRA was opting to oversee. The Schechter brothers were convicted of marketing unhealthy chickens to a slaughterhouse, permitting the selection of particular poultry specimens from their holding facilities, and the traffic of chickens to unauthorized purchasers. \* Chief Justice Hughes, for the Court, wrote that the NRA was a combined agreement among those constituting individuals involved in commerce and industry. He maintained, that in addition, it was an unconstitutional execution of public executive power because it virtually eliminated free market

---

\* The Supreme Court has primarily interpreted broadly the definition of Congressional power to regulate commerce since the 1820s. The Court's first major decision dealing with the commerce power consisted of a discrepancy dealing with steamboat transportation. At the beginning of the nineteenth century Robert Fulton invented the steamboat as a primary mode of transportation. Fulton's steamboat sparked a succession of happenings leading to the controversy of *Gibbons v. Ogden (1824)*. The *Gibbons* dispute constituted a couple of essential components. First, did the commerce clause involve waterway transportation, and did Congress hold the authorization to control the transport of goods and services on the nation's waterways? Second, did Congress hold absolute freedom to oversee interstate commerce or did it have to delegate some of that control to the states? The justices held the definition of the word commerce to entail not only waterway transportation, but also other commercial activities, transportation, and industry. However, the Court did not specify what these other mediums consisted of. This lawsuit did not immediately constitute a comprehensive governmental oversight of commerce between the various states. Yet the Court in this instance set the precedence for the tremendous enlargement of federal control relating to businesses that exists today. The Court's broad definition of the Commerce Clause subsequently allowed Congress to control industry, child labor, agriculture, working conditions and pay, labor unions, civil rights, and criminal activity as well as buying and selling. Anything related to commercial activity between two or more states can now be regulated by the federal government. In addition, the Court's holdings of the Commerce Clause has evolved into an increase in the federal government's power in relation to the states. Though the *Gibbons* case began a tradition, it was deferred to subsequent courts to establish to the extent of which the commerce power should be applied. See *John Marshall: Definer Of A Nation* by Jean Edward Smith, (New York: Henry Holt and Company, 1996), pp. 473-480. In addition see *The Constitution And American Foreign Policy* by Jean Edward Smith, (St. Paul, MN: West Publishing Company, 1989), pp. 70, 105. See also *The Oxford Essential Guide To The U.S. Government*, by John J. Patrick, Richard M. Pious,

competition. Individuals who did not comply with those policies could be charged with crimes under the stipulations of this Act. The NRA had to be categorized as governmental regulation. The NRA contained a couple of primary problems. It consisted of a forfeit of the making of governmental public policy to industry and the President. The establishment of these regulations was intended to oversee intrastate commercial activity without a specific relationship to interstate commerce in the statute. Hughes stated the difference between Congressional regulations having clauses intended to permit the executive to make policies that are later specified and imposed on the public by the business community. The Recovery Act, he said, allowed for no provisions dealing with commerce, companies or any other organization. Instead of establishing laws of oversight, it permitted certain interests to formulate public policy. The Court held it was out of compliance with the constitutional clauses outlining Congressional oversight. He also found that the Live Poultry Code had nothing to do with the market of poultry from outside of New York or with the marketing of products to the Schechters. The total of the Schechters' commercial activity was completely inside New York state. There existed no transfer of products and services into and out of the state. The inquiry by the Court was whether the Schechters' commercial activity was either directly or indirectly related to business activity taking place out of the state bringing them within the scope of federal authority, and in the Court's view it did not.<sup>127</sup>

In *Local 167 v. U.S.*, (1934), the Court also held that a group of citizens, commercial interests, and a labor union's efforts to take over the poultry business within the city of New York was out of compliance with the Sherman Antitrust Act\* because it

---

and Donald A. Ritchie (New York: Oxford University Press, 2000), pp. 104-106.

\* The Sherman Ant-Trust Act of 1890 was the first in a series of antitrust laws that effected banking and

involved interstate commerce. This case, although filed during the Hoover administration, became relevant to the New Deal, because it said that efforts by the government to regulate agriculture that were not directly associated with interstate commerce were unconstitutional. The last word on the NRA was also affirmed by a couple of other unanimous decisions, one striking down the Frazier-Lemke Act for the relief of agricultural debts and the other reprimanding the President for unlawful dismissal of William E. Humphrey from the Federal Trade Commission, in *Louisville Joint Stock Land Bank v. Radford*, (1935) and *Humphreys Executor v. U.S.*, (1935). Justice Brandeis for the Court chastised the Frazier-Lemke Act for permitting an unlawful takeover of citizen's property in order to be used by the public without providing those citizens with appropriate restitution. In *Humphreys Executor* the Court maintained, by way of Justice Sutherland, that the Federal Trade Commission constituted a self-governing, impartial entity provided with the main duties of the performance of their agenda like those of a court. This differed with the postmaster whom the Taft Court had said could be dismissed by the Chief Executive, in that an FTC employee could only be fired in certain instances approved by Congress, and Roosevelt had virtually admitted making Humphrey resign for discrepancies he had with the President over certain policies. While the Court was officially deciding this case, the Commissioner's death had no bearing on the outcome. The case exemplified the Court's unwillingness to broaden Presidential authority beyond the oversight outlined in the Constitution and the statute. Three unanimous decisions were issued on the same day, Monday, May 27, 1935, all

---

finance. This Act instituted the ban of certain contracts that were directly or indirectly related to the creation of monopolies. This suit was actually filed prior to the FDR and the "New Deal" but its outcome once it had reached the Supreme Court had a profound effect upon it. See *Dictionary Of Finance And Investment Terms*, by John Downes and Jordan Elliot Goodman (New York, Baron's Educational Series,

either in whole or in part, declaring FDR's programs to be unconstitutional.<sup>128</sup>

For two additional years the Supreme Court continued to declare policies of the New Deal legislation to be unconstitutional. Unmoved by the dismay and aggravation from FDR, the Court subsequently invalidated legislation which it found to be unconstitutional. The next legislative statute to be ruled unconstitutional was an aspect of the Home Owners Loan Act of 1933 permitting the change of state savings and loan associations into national ones, out of compliance with state law in *Hopkins Federal Savings and Loan Association v. Cleary*, (1936). The Court maintained that it was an unlawful imposition of provisions in the authority of the federal government onto the reserved authority of the states\* contained in the Tenth Amendment.<sup>129</sup>

In *U.S. v. Butler*, (1936), the Court questioned the constitutionality of the Agricultural Adjustment Act (AAA). Since the beginning of our nation's history the government had attempted to regulate farm productivity. Through this statute the Agriculture Secretary predicted the needed output of each yield that could be sold at different amounts and the portion of land sufficient to grow the proposed quantity. Land allocations were then made available to all producers, and by reduction in their yield subsequently they were authorized to receive a payment funded primarily by taxation of the retail sale of the various products. The lawsuit came before the Supreme Court in 1936, appealed by Butler, executives for the Hoosac Mills Corporation, to prohibit the imposition of this taxation. In the Court's view a progressive interpretation of spending

---

Inc., 2003), p. 31.

\* The powers extended to the states in this amendment is often referred to as "Delegated Powers". They are powers not inherently or specifically implied in the U.S. Constitution and therefore are delegated to the states by way of the Tenth Amendment. Amendment Ten to the Constitution states, "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are preserved to the States respectively, or to the people." See *The Oxford Essential Guide To The U.S. Government*, by John J. Patrick, Richard M. Pious, and Donald A. Ritchie (New York: Oxford University Press, 2000), p. 119.

ability did not authorize the AAA to continue to conduct its operations. The Court established that Congress held the ability to provide subsidies to agriculture, but the AAA was also specifically controlling yields. Does the government have the authority to administer taxation for this cause, without relaying its functions to any national governmental organization? Again the Court was faced with a law that was out of compliance with the U.S. Constitution. The Court held the taxation power was not a solid medium on which to set up a major change in policy. Previously, the Court had said that Congress could not stamp out child labor with the use of taxation. On the same day the Court had unanimously nullified an Act with the taxation authorization to monitor the traffic in stocks with the Chicago Board of Exchange. Congress had organized the AAA by way of tax policy in complete disagreement with or lack of knowledge of constitutional restrictions. It was vaguely trying to structure the usage of taxation to complete the task of a regulatory power controlling local markets. This did not fall within the prescription of the Commerce Clause, the Court decided.<sup>130</sup>

The Court did, however, uphold some legislative Acts. It validated the Trading With the Enemy Act, the National Bankruptcy Act, the Ashhurst-Sumners Act making the transport of prison manufactured products in commercial activity between the states unlawful, and the Chaco Arms Embargo legislation. In the latter suit the Court validated the broad scope of Presidential authority in foreign relations. This issue dealt with international dimensions, was important, sophisticated, delicate, and permanent. Because of those reasons, the Court held, the President alone has the authorization to talk to the representative of the foreign government.<sup>131</sup>

The Court also reaffirmed Congressional authority to organize and monitor the

Wilson Reservoir on the Tennessee River, in *Ashwander v. TVA* (1937). The Court maintained the wartime and commercial provisions provided for in the constitution allowed for sufficient latitude for this function and to market electrical production at the reservoir and was concerned with structured allocation of government property and was therefore valid. Since the organization of the Tennessee Valley Authority contained various dimensions the Court stated no opinion as to its constitutionality.<sup>132</sup>

Prior to adjourning for its 1937 session break, however, the Court invalidated a couple more legislative measures. In *Ashton v. Cameron Co. Water District*, the court in a five to four decision struck down the Municipal Bankruptcy Act of 1934 as an assault on state's rights. The dissenting Court refused to examine filed briefs in which the state itself agreed as infringing on any state's reserved powers. Essentially it was the tri-division among the Court leaving the Guffey Act in shambles. The Guffey Act became law in 1935 in an effort to allow the bituminous coal industry to operate under new protocol when the NRA was struck down. It also authorized federal regulation flowing from the Supreme Court's prior opinion. When the suit came to the Supreme Court in *Carter v. Carter Coal Co.*, five Justices were in opposition to the Guffey Act. The Justices were opposed because the federal government was trying to introduce regulation on a delegated power that had been left up to the states. The Court maintained that the difficulties it was written to correct are all local problems which the Federal Government would make a move out of its lawful authoritative capacity in an effort to regulate.<sup>133</sup>

A dialogue of disagreement became prevalent all over the country. Citizens who were previously uncertain in disagreement with the Court now seized the moment and were aroused by the opinions. The magnitude to which the Court's majority had

interpreted some cases added to the Court's growing negative reputation overall and FDR said he would add additional Justices to the Supreme Court of the United States in order to change decisions that gave his policies difficulties. Most of the questions of the constitutionality of carelessly written legislative Acts had a solid foundation. Among the dozen opinions invalidating Roosevelt's policies, half were unanimous, and in two others the decisions were eight to one. In the cases where Hughes, Brandeis, Stone, Roberts, and Cardozo were in agreement, the other conservative members most often agreed with them.<sup>134</sup>

#### VICTORY FOR ROOSEVELT'S MONETARY LEGISLATION

Because of a Joint Resolution of Congress on June 5, 1933, payments in gold by the U.S. Treasury were ruled unlawful. January 17, 1934, became the date by which all gold had to be turned over to the Treasury, and two weeks thereafter FDR, acting with delegated authorization, devalued U.S. currency forty percent, decreasing its defined gold content from 25 8/10 grains to 15 5/21 grains pure. Three creditors rebelled. One was a railroad security owner, the next the holder of a gold certificate, and the last the holder of a security. All three contended with the government's authority to take their gold and to nullify their gold contracts.\* The constitutionality of the prohibition was decided by the

---

\* The U.S. Constitution in Article 1, Section 10, states, "No State shall...pass any...Law impairing the Obligation of Contracts." The contract clause makes it unlawful for or any state from implementing a law that would nullify contractual obligations made by the public or a business, in lessening the commitments taken on by the groups in an agreement or by making an agreement harder to institute. The Supreme Court's opinions in *Fletcher v. Peck* (1810) and *Dartmouth College v. Woodward* (1819) were groundbreaking cases using the contract stipulation to validate the sanctity of contracts. The contract clause applies to contracts between private individuals or contracts made by a state government. However, if a contract endangers the well being, health, or safety of the citizenry, the government may restrict or invalidate it. The state's powers to aid the citizenry through this process is sometimes expressed as an expected responsibility. Throughout the 1900s, the Court frequently decided on the of state's rights or the limited alteration of written agreements in the best interest of the citizenry. See *John Marshall: Definer Of*

U.S. Supreme Court in the gold clause cases. Thus the Gold Reserve Act of 1934 initiated dozens of hard fought legal battles making their way to the Supreme Court in the beginning of 1935. On January 8-11, 1935, oral arguments were presented to the Supreme Court that were related to the gold abrogation clause. This legislation provoked various lawsuits that were decided at the same time on February 8, 1935 with Chief Justice Charles Evans Hughes speaking for the Court. The Court upheld the abrogation of gold clauses\* involving private responsibilities and responsibilities of the federal government. Congress's power, the Court held, came not only from the power to coin money, but also from the total authority given to Congress, embracing the powers in tax collection, to borrow money and coin money, and to regulate interstate commerce.<sup>135</sup>

One of the cases, *Nortz v. United States*, involved a claim that a \$10,000 Gold Certificate represented ten thousand dollars, with each dollar weighing 23.22 grains of gold. The certificate was turned in resulting in an assessment of \$10,000, with each dollar weighing 13.71 grains, which was not an equal amount of gold conversion. Put another way, gold had gone up in value from \$20.67 per ounce ninety-nine percent pure to \$35 per ounce, and so the plaintiff maintained he should have received the same number of ounces and not the same amount of U.S. currency, regardless of the current gold price.

---

*A Nation* by Jean Edward Smith, (New York: Henry Holt and Company, 1996), pp. 388-401, 433-445. For further reference see *The Constitution And American Foreign Policy* by Jean Edward Smith, (St. Paul, MN: West Publishing Company, 1989), pp. 70-86, 227, 241. See also *The Oxford Essential Guide To The U.S. Government*, by John J. Patrick, Richard M. Pious, and Donald A. Ritchie (New York: Oxford University Press, 2000), pp. 121-122.

\* A gold clause is a promise to pay all debt in gold. The Gold Abrogation Clause discontinued the option for payments to be made with gold certificates, bullion, or coin in public or private contracts. Promises to pay debts in gold coin are called gold-coin clauses, while promises to pay the value of gold coin are gold-value clauses. In 1879, the United States resumed payments of specie such as gold coin in redemption of our paper currency. In the Gold Standard Act of 1900, Congress eliminated the remnants of the role of silver as a monetary standard. With the collapse of the gold standard, Congress, in 1933, banned gold clauses from all public and private contracts. The Gold Reserve Act of 1934 went further, withdrawing all gold from circulation. See Lewis D. Solomon, *Rethinking Our Centralized Monetary System: The Case For A System Of Local Currencies*, (Westport, Connecticut: Praeger, 1996), pp. 103-104.

Thus, the plaintiff calculated that approximately \$16,931.25 of 13.71 grains per dollar would be needed to equal \$10,000 of 23.22 grains per dollar. The court ruled in favor of the Government because the plaintiff could not prove that he would suffer an actual loss by being required to accept the equal amount of \$10,000 in another form of exchange.<sup>136</sup>

Congress permitted challenges in opposition to the U.S. government relative to its contractual agreements and had set up the U.S. Court of Claims to handle those cases. It was here that Nortz and subsequent plaintiffs filed their original cases. The Court of Claims listened to the disputes, but failed resolve them. Instead, the lawsuits were appealed to the Supreme Court. Nortz had charged the enforced exchange of his gold certificate, representing bulk gold, for irredeemable certificates was an unauthorized deprivation of “life, liberty, property, and the pursuit of happiness”. The Court maintained that the Constitution does not contain a provision for restitution of every damage. The judiciary has always maintained that when a wrong produces demonstrable losses and this can be reduced to a currency value on displaying former and later values, the instigator will be commanded to pay compensatory damages to the one suffering. In some circumstances those currency payments would be commanded without looking to a before and after test. Nominal damages may be awarded when a right has been violated. Sometimes punitive damages, those deliberately in direct proportion to the injury may be administered to make an example of the lawbreaker. The Court held that nominal and punitive damages are exceptional and not an absolute right.<sup>137</sup>

The imposition of damages settled this lawsuit. The certificate, the Supreme Court held, specified money, not bullion, and currency Nortz was provided. His effort to use the international market for an amount lost was considered invalid. The Court held that Nortz

had no right to gain restitution from such losses in international exchange rates. Because gold coin is classified as currency, as a medium of exchange, and restrictions associated with the government's right to part of its ownership, therefore, Congress could prohibit its exportation and regulate its use. Since the assessed damages could not be used, a decision against the United States on any other grounds would involve the awarding of nominal damages. The Court held that Congress had not given the Court of Claims such extraordinary jurisdiction. On these grounds, the Nortz suit was accordingly dismissed. The issue of losses and the view by the Court also coincided with the other gold clause cases which called for restitution by the government of the gold clauses of securities. The Court specifically challenged that the legislative branch could alter its own deficits by the same process it had performed in private contractual agreements, since the Fourteenth Amendment\* provides that the validity of the public debt of the United States, authorized by law shall not be questioned.<sup>138</sup>

Another case, *Norman v. Baltimore and Ohio R.R.*, involved a security issued by the Baltimore and Ohio Railroad that required the installment of \$1000 and interest in gold based on the amount or an equal mass and purity in other barter in existence as of February 1, 1930. The challenger requested gold in its 1934 assessment, or an equivalent of \$38.10 at the new price of gold for his old \$22.50 security. In this lawsuit the challenger was defeated by the government because the Court decided that contracts setting up installments in bullion or money of a certain specified mass or purity provoked

---

\* The suit in question here was brought primarily under the Fourteenth Amendment, Section 1 that states, "All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State where they reside. No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any state deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws."

a controversy with the authorization of Congress to monitor the nation's monetary system, and it perceived them as being inadequate.<sup>139</sup>

Acknowledging that this was a lawful contract when entered into, Hughes maintained that it came under the scope the Fifth Amendment,<sup>\*</sup> unless it conflicted with other Constitutional aspects such as the U.S. congressional authority to regulate interstate commerce. Previous laws such as the Legal Tender Act did conflict with rights specified under contract. The difference was that its impact could have been devastating in practical application, but was indirect. However, in this case the Court would not say, as it had held in prior decisions concerning the Legal Tender Act, that the provisions of the Fifth Amendment minor aspects and did not apply to this case. The U.S. Treasury and the Reconstruction Finance Corporation filed petitions to participate *amici curiae*.<sup>\*\*</sup> Their interests included creditors of the debtor, Baltimore & Ohio Railroad Company. Here the government differed from the two contracting parties and changed their opinion. The gold clauses could be struck down only if they attempted to conflict with other Constitutional provisions like the Congress's power to regulate interstate commerce. An example of another application of this principle given by the Court would be a contract to pay a given cargo fee despite whatever the Interstate Commerce Commission might

---

<sup>\*</sup> The Fifth Amendment to the U.S. Constitution is often referred to as the Due Process Clause. The Fifth Amendment states, "No person shall be.... deprived of life, liberty, or property, without due process of law." Often this is associated with criminal courts but over the years it has been expanded to include other aspects known as substantive due process. From the 1890s through the 1920s, the Court tended use substantive due process to protect the property rights of business owners against state government regulations of working conditions, wages paid to workers, and hours of work, as well as several other activities. See *The Oxford Essential Guide To The U.S. Government*, by John J. Patrick, Richard M. Pious, and Donald A. Ritchie (New York: Oxford University Press, 2000), pp. 158-160.

<sup>\*\*</sup> *Amicus Curiae* is an original Latin word defined as "friend of the court". An amicus curiae brief is a paper referring to a lawsuit filed by a person or entity that is indirectly related to the case. An amicus curiae brief can be submitted on their own accord, or by an invitation of the court. An amicus curiae document is primarily submitted by persons or organizations with a specific benefit at stake. However, no person can submit an amicus curiae brief who could be benefited or suffer personally, by the decision of a lawsuit. . See *The Oxford Essential Guide To The U.S. Government*, by John J. Patrick, Richard M. Pious, and

prescribe, or a contract to establish a monopoly entered into before the passage of the antitrust act.<sup>140</sup>

The Court maintained that individual groups cannot eliminate their commercial activity out of the jurisdiction of the rule of constitutional oversight by entering into agreements about them. The decision then maintained that the gold clauses would make borrowers to purchase \$1.69 in money while receiving payment in that medium at their existing rates. The decision holds that it is out of the Court's jurisdiction to deal with consequences on the premises that punishment may eliminate an infringement of constitutional guarantees. The Court was determining the constitutional provisions concerning Congress's power over the currency system\* of the nation and its attempted aggravation. Using that authorization Congress attempted to organize a monetary system, and a relationship among the types of money. Both the Senate and the House were authorized to use a standard currency and to do away with a binary system. The suggestion that these gold clauses are binding agreements and cannot be invalidated, operates upon the assessment that groups from the private sector may enter into and put in force agreements which could impose limitations on their power. The Court maintained that the clauses interrupt the usage of authority allocated to the legislative branch in the U.S. Constitution. The Court maintained that Congress willingly or unknowingly found that those difficulties were in existence.<sup>141</sup>

---

Donald A. Ritchie (New York: Oxford University Press, 2000), pp. 18-19.

\* The power of Congress to coin money has caused little controversy. It is likely that the framers of the Constitution meant this authorization to extend to the regulation of the mass or composition of U.S. currency, rather than to artificially set its value. As a result of the restrictions over money given by the Constitution, the legislative branch has regulated within the realm of banking, structured a nationwide banking and Federal Reserve System, distributed currency, regulated money, devaluated the currency, chose monetary policies, imposed taxation state bank issuances, and formed other financial organizations. See Asher Isaacs and Reuben E. Schlesinger, *Business, Government And Public Policy*, pp. 27-28 (Princeton, New Jersey: Van Nostrand, 1964).

In *Perry v. United States*, heard also by the Court February 8-11, 1935, also part of the Gold Clause Cases, the holder of a 4.25 percent U.S. gold stock, sold in 1918 and expiring in 1934, requested restitution to be made with gold coin. The security called for the redemption of its original purchase price and interest in the amount of gold coin at the date of sale in 1918. A \$10,000 bond printed in 1918 required the redemption in U.S. gold coin of the present weight of assessment. The challenger requested restitution of \$16,931.25 with interest in legal money. The \$16,931.25 was according to the plaintiff the amount the U.S. government needed to pay to compensate for the government's devaluation of the dollar. The challenger said that the U.S. government had to compensate for the quantity of the gold bond in gold coin as the agreement stipulated. The Court of Claims relayed a couple of inquiries to the Supreme Court to sort out. Did the challenger have an unrestrained right to restitution in lawful currency in excess of the printed amount of the bond? Was the government required to service this request?<sup>142</sup>

The Court maintained that the responsibility of the government to pay for the plaintiff's perceived loss conveyed a legal question distinct from the amount of the bondholder's recovery. The *Nortz* case, although the opinion was issued on the same day and argued during the same period, had already banned the international price of gold as a value of assumed loss. They reasoned that internal prices were the only available measurement of the buying ability of U.S. currency. The Court accordingly dismissed the lawsuit for the reasons that the plaintiff could not demonstrate, or attempted to demonstrate, in regard to buying potential, how any losses had been sustained.<sup>143</sup>

The Court managed to uphold the government's installation of its own gold clauses, but gave a specific interpretation of rights for restrictions not in existence. Justice

Harlan F. Stone came to the same conclusion with a concurring opinion changing the majority decision on a split court because this case involved a government security and not a contract between private citizens. Stone reasoned that the responsibility of the gold clause in government securities was less than in the contracts of private entities. In some situations, Stone reasoned that the Contract Clause was not applicable even to private agreements where specifications are not described or are left undefined. In these instances the government had proposed restrictions upon the continued authorization to manage our monetary system. Stone held the Court should not decide any question involving agreements jeopardized by the regulation of U.S. currency. Stone stated they may only be executed with specific authorization from the government instituting the availability of a lawsuit upon its gold clauses. In addition he said it would not be profitable if the challenger were afforded definite privileges for the restitution of gold clauses. Based upon that principle Justice Stone failed to agree with most aspects of the decision, because the majority's opinion is suggestive that the exercise of the authorization to borrow currency by way of loans does not override the exclusive prohibition from a lawsuit. In addition, Stone maintained that this could be a forerunner to the regulation of U.S. monetary policy by the courts.<sup>144</sup>

The Court saw that this case was different from others and questioned whether security issuances were a state or private matter. Their reasoning was that the security in question was the direct responsibility of the U.S. Government. The problem of an outsider interfering with a monetary matter was not present. The Supreme Court held the contract was invalid so far as it overrode government responsibility created by the security. The majority opinion stated the contractual responsibilities still existed despite

problems, but as the action was for violation of contract and the plaintiff had not shown any loss in relation to the amount it could buy, he was not entitled to the amount of 16,931.25. Therefore the case was dismissed by the Court based upon this premise.<sup>145</sup>

The Court justified its position by establishing congressional authorization to regulate currency and set up a monetary structure to manage the country's currency. The Court further questioned whether Congress could use its power so as to invalidate the terms of a contract. The Government attempted to justify the Joint Resolution resulting in the Gold Reserve Act of 1934. The Government proclaimed before that Congresses could not validly restrain the seventy-third Congress from using its constitutional empowerment to shift the gold convertibility of the dollar, extend credit, or oversee international and commercial activity between the states. The Government maintained the proposition that with Congressional authorization, it could change existing monetary policies. The Government would also be at liberty to disregard that commitment and modify the terms of its obligations if a later Congress finds their fulfillment invalid. The Government's query questions are raised involving issues that are far more important than the specific claim of the plaintiff. Based upon this reasoning, the Government argued, the specifications of the bonds may be invalid and the value for restitution may also be altered. The statement suggests that Congress could completely disregard the responsibilities of the Government at its own discretion. The Government, according to this principle, could acquire currency through loans and the agreement was only obligatory when the government gave its approval.<sup>146</sup>

The U.S. Supreme Court maintained when referring to the Constitution there is a significant variation between the authorization of the Congress to control or get involved

in the agreements of private individuals when they are at odds with legislative authority, and authorization to change or retract the amount of its own actions when it has borrowed currency under the authority which the Constitution confers. The U.S. retains rights but has obligations like those of persons who are involved in contracts.<sup>147</sup>

The Court also found that despite U.S. commitments in contractual arrangements, the challenger was not given an award because he could not demonstrate he had suffered specific damages because of the decline in value of U.S. dollars. The Court saw that dealing in gold had been outlawed before the decline in convertibility, and the total internal economy had gone through several changes. The subsequent events made it impossible to assign any specific amounts for losses born by the plaintiff because of the change in the convertibility of the gold dollar.<sup>148</sup>

The Court held that damages suffered by the plaintiff, if any, were brought about by the contended invalidation of an agreement, and it was inappropriate to assume the challenger was entitled to obtain gold coin or bullion for foreign export or for trafficking in international exchange or for other purposes contrary to the control over gold coin. Congress had the authority to regulate the nation's currency. The plaintiff's losses could not be assessed without regard to the internal economy of the country at the time of the alleged breach of contract. The Court held the discontinuance of gold payments and the establishment of legal tender currency on a standard unit of value with which all forms of money of the United States were to be sustained at parity had a controlling influence upon the domestic economy. The monetary policies of the nation were adjusted to the new basis and a free domestic market for gold bullion was non-existent. The Court would not accept the plaintiff's demand that he be paid in currency of an equal amount of

buying capacity just because of the calculations of the devaluation, which amounted to \$1.69 of the new money for each one dollar of old, regardless of whether he could produce proof of any particular damage.<sup>\*149</sup>

Four dissenters, Justices McReynolds, Van Devanter, Sutherland and Butler, not only contended the challenged legislative acts would end up in confiscation of property rights but declared the damage was represented by the sixty-nine cents discrepancy between the previous and current amounts. Justice McReynolds dissenting separately held that if this principle went on to be put into action, the legislation in the challenge would bring about confiscation of property rights and negation of primary commitments. He stated that righteous persons hold denial and the taking away of persons' property with disappointment, but in this instance it is requested of the citizenry to assure that the Constitution has specified provisions to do each and no definite delegation of such power is in existence.<sup>150</sup>

Justice Stone, writing his own opinion, in a partial concurrence with the majority's conclusion, held it was pointless to question whether the government was excused from responsibility by way of its authority to adjust the purchasing power of currency. Should the legislative branch want to continue payment in gold or administer other currency stabilization initiatives, the Court's decision could be a stumbling block except that Congress stopped the ability of the public to file a lawsuit. Stone maintained the founding fathers of our nation did not mean for the government to have permission to

---

\* In 1977, the abrogation of gold clauses was repealed by Congress. American citizens since that time can buy and sell gold freely, and courts can enforce gold clauses. Today, contracts can provide for the payment in U.S. dollars, scrip pegged to the U.S. dollar, or an alternative currency. Contracts crafted between 1933-1977, could not include clauses that specified for certain payments to be made in gold. See Lewis D. Solomon, *Rethinking Our Centralized Monetary System: The Case For A System Of Local Currencies*, (Westport, Connecticut: Praeger, 1996), pp. 103-104.

unbridle its responsibilities and undermine the very privileges which they were trying to guard. Stone said the gold clause did not recently come into existence and for more than a century persons operated under similar contracts. Securities were marketed for billions of dollars to finance World War I, public employment, transportation, and buildings. Under this principle Stone maintained that the Court should invalidate this Congressional activity in no uncertain terms whatever.<sup>151</sup>

Whatever the rationale which motivated the Court members to uphold or condemn the government's invalidation of its own gold clauses, the most significant aspect was that the government became immune for the time being. However, the foundation of the majority decision suggested a different outcome would be attained as soon as a security holder obtained ability to show losses in the light of internal buying ability. After the 1935 gold clause lawsuits, the Treasury requested the "turning in" of gold securities before their specified due date. This relationship was transformed in its entirety into foundational theory when Congress, as of January 1, 1936, nullified the government's agreement to allow lawsuits to come forth on monetary policy, and it stopped lawsuits against the federal government in the Court of Claims relative to the gold clause abrogation.<sup>152</sup>

In addition to the Gold Clause Cases, the Court subsequently upheld FDR's monetary policies in other cases brought before it. In *Holyoke Water And Power Company v. American Writing Paper Company* (1937), the Court subsequently did away with another indirect gold clause. This suit included a rental obligation of a gold clause of a relatively complicated substance where the renter was committed to pay annually, not in gold coin, but an amount of currency which would purchase a quantity of gold equal to

\$1,500 of United States gold currency of the standard fixed by law in 1894. The Court, speaking through Justice Benjamin N. Cardozo, invalidated certain specifications of the agreement and held the method of restitution illegal, and served a *writ of mandamus* to have the loan canceled by an installment of \$1,500 of paper money.<sup>153</sup>

The Court maintained that the argument for the appellant was that the result of the agreement in its enforcement to these lease agreements was to cause the buying power of currency to increase and decrease with variability in the mass and purity of the currency policies, and thus do away with the anticipation of the groups assuming that the policy would remain consistent and the purchasing power fairly the same. Such, indeed, was the effect, and the agreement of the groups was invalidated in that regard. The dissatisfaction of the outlook and also the agreements may be a lawful usage of authority when goals and pacts are inconsistent with the public's well being, and in this instance the agreement should be defined.<sup>154</sup>

The four justices who dissented so forcefully in the Gold Clause suits did not try to write a brief in *Holyoke Water and Power Company v. American Writing Paper Company*, but just subtly notated their conflict with the result reached and so gave a revealing manifestation indicating where their opinions were in complete opposition.\* Acceptance of the decision did not constitute a virtual desertion of a quest for agreements that would result in non-flexible guidelines and balanced standards. However, the search increased speed as the array of approaches and structure relative to our laws were put into

---

\* Gerald T. Dune has noted that the five justices who upheld the gold legislation were easterners and had spent most of their pre-judicial careers wrestling in some manner or other with the increasingly complex problems of urban and industrial societies. The four dissenters, on the other hand, came from more rural backgrounds and from various locations throughout the country. Much research exists as to the influence of both political ideologies and backgrounds of judges which ultimately influence their decision-making. See Gerald T. Dune, *Monetary Decisions Of The Supreme Court*, pp. 96 (New Brunswick, New Jersey: Rutgers University Press, 1960).

action. Nonetheless, the *Holyoke Water and Power Company v. American Writing Paper Company* suit's outcome served as an example as a classic jurisdiction in relation to financial policies. The majority maintained in this instance that the obligation of contracts clause contained in the U.S. Constitution is not absolute.<sup>155</sup>

In *Smyth v. United States (1937)*, a security holder was denied an installment in gold payments. He proposed an argument that the Treasury specification of restitution was invalid and provided a statement for payment for the ensuing maturity date at a later time. The Supreme Court's opinion written by Justice Cardozo maintained that the document failed to confine the treasury to a forbidden medium of payment. It therefore stopped the additional payment of interest. In an opposing argument, Justices McReynolds, Sutherland, and Butler stated that as the security's deliverance specification provided for restitution in gold currency, a statement nullifying that agreement is a corrupt means to do away with a written agreement. In addition, the Court had assumed responsibility for the contractual agreements with the gold abrogation lawsuits in 1935.<sup>156</sup>

Justice Stone, in agreement with the majority's decision, said that the Court rightfully saw the securities here in these suits as leaving to the Treasury the authorization of shortening their due dates by affording installments or lurking in wait to fulfill those contracts on a time period in reference to their maturity. Stone went on to say the responsibility of the securities, viewed in the spirit of the inherited tradition of the judiciary and former gold abrogation lawsuits, the Court maintained that agreements have to be interpreted to be gold weight attempting to require installments equal to eligible money. Stone stated that doing away with gold as monetary medium, and the regulation on its exportation and gold's usage in international balance of payments by actions in the

legislative branch, did not excuse the Treasury of responsibilities to recompense the listed gold amount of the securities in eligible money. Agreeing, Stone stated the decision should be on the side of the security holders only if the Joint Resolution of Congress of June 5, 1933, mandating the turn over of all gold contracts in eligible money proves to be inconsistent with the U.S. Constitution.<sup>157</sup>

Stone maintained that a definitive judgment on the federal question now must be decided. The statement in this concurring opinion held that Treasury securities do not reside under a different classification than those of individual citizens and the legislative action constituted a lawful usage of the authorization to monitor our monetary policies. Stone clarified the distinction by saying that the attempt of the Treasury to honor its agreements with gold, if required, works to use the constitutional authorizations correspondingly to the same level as do bonds issued by private entities. This applies insomuch as the government relies on absolute protection from court challenges by prohibiting a filing by way of the U.S. Court of Claims. If that reservation had been contained in the monetary policy lawsuits of 1935, in reference to contractual agreements, gold stipulations do not have to be entertained in order to avoid a court challenge and would have undermined the U.S. Treasury practice of the delay in gold clauses and the decline and fall of the value of U.S. currency.<sup>158</sup>

Stone reasoned that the emergence of the inability to be challenged in the Courts serves as direct evidence that the authority to gain capital by the acquisition of a loan from the U.S. government should not be interpreted as a constraint on the Congressional authorization to coin and regulate the nation's currency. Reviewing the possible contributors in which those authorizations are transferred onto the federal government

like that of the instance of securities of states, cities, and private entities, its relationship with the security owners does not change in any instance. Stone, elaborating further, contended that no action was ever implemented which would justify how the authorization to organize the monetary system, that is not controlled by the Fifth Amendment concerning contractual agreements, is regulated by the Treasury. He contended that the United States was able to do away with its authorization from the ability of the public to file a lawsuit. Stone in a solidifying ending maintained that the credit authorization cannot be enforced to make the Treasury to grant restitution. He also proclaimed that it made the government unable to use the specifications enshrined in the Constitution to formulate monetary policy in which restitution should be granted.<sup>159</sup>

In *Guaranty Trust v. Henwood (1939)*, the majority invalidated an alternative for the owners of currency securities to opt for a different money plan to constitute guilders, pounds, marks, or francs as a way to provide a different option for a loan that would have to be compensated for in U.S. currency only to a pegged amount. In this instance the securities of railroads, distributed and marketed in 1912, authorized payment in gold currency or an equal amount in international exchange. The legislative branch abrogated gold money in 1933. The security owners, were running in the red and restructured protocol after three years. The owners of the securities instituted an authorization constituting a Dutch guilder amount, which would have added up to a larger amount of U.S. currency than agreed upon, because of the currency devaluation. Writing for the majority Justice Black proclaimed that the reservations of the securities are, by way of the legislative action, contradictory to governmental policies and not consistent.<sup>160</sup>

Justice Stone dissented, along with Chief Justice Hughes and Justices

McReynolds and Butler. They failed to agree that the legislative action on June 5, 1933, nullified the obligation of contracts to use guilders to satisfy the owners. In disagreement they theorized that the owners might request to be paid in gold currency of a pegged standard or an equal amount in dollars. The optional obligation was for the balance of payments internationally of particular values of several international mediums of exchange, with a lack of regard to their gold convertibility on the date of maturity. The agreement to take responsibility for the bond was unrelated to gold or gold convertibility as if the contract had specified for the payment of a particular amount of wheat, sugar or coffee, or to provide a particular service. When the legislative action was taken there existed several contracts of U.S. citizens requiring payment internationally only with foreign money, and the artificial change in gold convertibility of the dollar tremendously raised the weight of those agreements with the urgency of requiring payment with U.S. currency at a lower value than the international conversion mandated for their redemption. The legislative branch failed to attempt to eliminate any member of the United States of their contractual obligations. It is not perceivable as well, by the majority that the legislative action allowed for the invalidation of any agreements redeemable in any international monetary medium. After the artificially instituted loss in value of U.S. currency, the requirement on citizens of the U.S. to meet those requirements internationally by redemption in international currencies was probably as large whether the responsibility was nonnegotiable or to redeem with a stipulation which had occurred, or whether the agreement was to purchase in an internationally recognized form of money or to give products which have to be received by the usage of devalued U.S. currency. The dissenters saw nothing in the Congressional record relative to specification

of the invalidation of Treasury payment in the medium of gold or an internationally recognized medium of exchange. Dissenting, the Justices put forth the proposition that the majority cannot be at liberty to hypothesize what the legislative branch could or should have done, or of every small possibility to do away with the strain of the country's money change in value for individuals who entered into agreement for funding to come from other currencies abroad unrelated to gold convertibility. They maintained that if the Court's decision be verified, the opinion is so comprehensive as to invalidate all thinkable requirements for redemption in international currencies, transfer of goods, relating services as a different approach for the redemption in U.S. currency whether it encompasses a gold standard or not.<sup>161</sup>

Roosevelt's silver policy was upheld as well in *United States v. Hudson (1937)*. Eight Justices unanimously upheld the Silver Purchase Act in this decision as Justice Stone didn't hear the case. The dispute in this case involved a tax of fifty percent all profits derived from the sale of silver. The plaintiff challenged the constitutionality of the sale of a half million ounces of silver in which he was forced to pay a fifty percent tax on \$8,621.96 he had received in profits. The opinion written by Justice Van Devanter held that like all the other cases involving the Gold Reserve Act this case failed to violate the Due Process Clause of the Fifth Amendment.<sup>162</sup>

Therefore the suits concerning monetary policies solidified a continuous cycle in American judiciary instead of an irrational movement in the Court's Constitutional doctrine.\* In particular, it should be mentioned that the victories for monetary policy

---

\* Holders of certain European obligations had better luck in enforcing gold clause payments in foreign courts. The reason is twofold. First, not many European issues contained a gold clause, whereas it was put in American obligations explicitly expressed in contracts. Therefore, the aggregate economic effects of European judicial decisions were marginal. Second, while most European countries reduced the gold

came about prior to the Court's 1937 change by a trend to validate most of Roosevelt's policies. Outside the findings for the Tennessee Valley Authority, the gold legislation was the only policy of major New Deal economic initiative ruled to be constitutional by the Court in the 1934 and 1935 terms. In addition, the Court was unanimous in upholding the silver legislation in 1937.<sup>163</sup>

#### ATTRIBUTING ROOSEVELT'S ECONOMIC SUCCESSES TO MONETARY POLICIES UPHeld BY THE U.S. SUPRME COURT

Roosevelt's monetary policy stands largely alone as legislation that withstood tremendous challenges in the Courts. Almost all of the First New Deal legislation was struck down by the courts with suits brought against them, but Roosevelt's monetary policies were upheld by the Court in suit after suit brought before it. Especially FDR's economic programs designed to boost the American economy were ruled unconstitutional. Monetary policy sought by the administration withstood the Courts, had tremendous international and domestic applications and implications, and should be given credit for almost all of his economic successes. Most of FDR's attempts at influencing the economics of the nation are aligned most closely with the philosophies of notable economists like Karl Marx and John Maynard Keyes who held that the best way for economies to flourish is through tremendous governmental regulation. His monetary policies tended to support the free market and the protection of property. It is true that Roosevelt tried other means and methods to bring the nation out of the Great Depression but many of these, especially those making any kind of tremendous impact on the

---

content of their currencies, none prohibited the exercise of gold clause rights as did the American Congress. Gerald T. Dune, *Monetary Decisions Of The Supreme Court*, pp. 97-98 (New Brunswick, New Jersey:

nation's economy, were struck down by the courts. If Roosevelt's monetary policies had not been upheld by the Courts then the nation would not have had the economic power to combat World War II and would not have emerged from it as strong economically as the nation did.<sup>164</sup>

## **CHAPTER FIVE: MONETARY POLICIES DURING WORLD WAR II AND ITS AFTERMATH**

World War II left a nation stronger than at any other time in our nation's history. When World War II started, America's banking and financial institutions had fully recovered from the banking crisis of 1933. The war brought with it much unwanted inflation, but banks and the Federal Reserve were in a position to alleviate some of the impacts. Reacting to the situation, the Federal Reserve was able to make necessary adjustments to combat inflation by selling government securities and bonds. Also, gold and silver continued to flow into the Treasury at an even greater rate during 1938 and beyond with the start of the war in Europe. It was not World War II that brought the nation out of the Great Depression as is generally thought. The administration already had effective policies in place to continue economic recovery. It is true that the expansion of the available money supply played a great role in the strength of the economy during the war and its aftermath. However, the gold inflow into the United States would have been very minimal if the gold and silver purchase programs had not been in place and the nation's banks had already recovered to be in a position to combat the changing dynamics of the economy.<sup>165</sup>

### **WORLD WAR II INFLATION**

World War II, as with other conflicts in this country's history, brought with it undesirable inflation. The nation's per capita income grew by two and a half times the amount it was during the previous ten years from 1930-1939. The nation's stock of money increased three times the amount it had been from 1933-1941 and wholesale

markets more than doubled. Per capita income grew at an average of 10.7 percent per year, the nation's stock of money grew at a rate of 12.3 percent per year, and an increase in wholesale prices of 8.2 percent per year. Personal income, production, and employment mostly declined from September, 1939, until Germany attacked Belgium, the Netherlands, Luxembourg, and the fall of France. The British and European allies started putting in large defense contracts with U.S. manufacturers in 1940, which brought about dramatic increases in the U.S. economy.<sup>166</sup>

The root cause of World War II inflation may be best classified by a large amount of capital export. The largest rise occurred from 1940 through 1944. The increase continued for four more years reaching an all-time high in 1948 as the U.S. extended aid to war torn nations. Capital exportation became a larger portion of the GNP than any other time. After the total exports had decreased after World War II, industrial production and economic activity continued to flourish with number greater than levels of the 1930s. Many of the obstacles facilitating inflation during World War II can be attributed to the Lend-Lease Act\* of 1941 when the U.S. became involved in the war and took on responsibilities for financing foreign government wartime purchases. In World War II general price levels increased quickly from 1941 through 1947 without regards to any rise or fall in capital transport. Scholars mainly credit one attribute to a inflexible

---

\* On March 11, 1941, Congress passed the Lend-Lease Act, authorizing the President to utilize heads of departments or agencies to sell, transfer title to, exchange, lease, lend, or otherwise get rid of any item of defense to the government of any country whose defense the President deems vital to the defense of the U.S. without regard to the terms of any existing legislation. An initial appropriation of \$7 billion was made, and it provided that up to \$1.3 billion of items could be disposed of from existing public government property. Sales were undertaken, as a result, in large quantities to foreign governments. Altogether during the war Congress appropriated \$63.8 billion for the Lend-Lease program. As a result, exports which had been decreasing rose immediately after the passage of lend-lease, giving additional stimulus to the U.S. economy. See Paul Studenski and Herman E. Krooss, *Financial History Of The United States: Fiscal, Monetary, Banking, And Tariff, Including Financial Administration And State And Local Finance*, 440-441 (New York: McGraw-Hill Book Company, Inc., 1952).

organization of exchange regulation applied internationally. The values of products throughout this period is clearly seen in internal market regulation instead of exchange controls. Price controls and rationing existed in a greater capacity in European nations than in the U.S. As a result, foreign governments were less subject to inflation.<sup>167</sup>

Comparisons between markets and the movement of move in war and peace are virtually impossible given the tremendous problems with transportation and financial agreements. During World War II capital movements stayed in sync to the general price levels to a greater extent than where they resided during peace. This was largely observed with a major counterbalance of outflow of wealth modification to the approximate price levels. The wholesale price levels rose at a proportion of four percent every year during World War II deficit spending. To handle inflation, the FDR tried to install price controls in the beginning of 1942, and the Truman administration did away with these practices in the middle of 1946. Price controls took the form of price maximums, concentration of production assemblages, discontinue of discounts on transactions, and alterations to the market of a product along with changes in the value or services offered. Where market restrictions had the most in, shortcomings sometimes developed with products such as meats, gasoline, and other foods. The government was then had to induce rationing these items.<sup>168</sup>

Economic growth from 1940 to 1942 was enormous and after the middle of 1940 there prevailed tremendous rises in the general price levels which discouraged the holding of assets in the form of money. Both the citizenry and corporations were prohibited from consuming income to buy the types of goods they maintain as adding to their total value. These funds typically soak up a huge segment of enlargement of

earnings. To recompense, investors enlarged their collection of additional possessions in the flow of government stocks and money at unparalleled heights as a percentage of their earnings. Private reserves for the duration of this era were a great deal more than can be related with larger amounts of earnings because of the war limitations. Consumers accrued much additional liquid assets than they would have otherwise depleted on building homes, cars, and resilient commodities. A ban of nonmilitary automobile manufacture took effect on February 1, 1942, and many other sturdy products by September, 1942. As a consequence, prices ascended much less rapidly during World War II than the reserve of the nation's currency.<sup>169</sup>

When looking at the successes of Roosevelt's monetary policies it is important to mention the role of taxation in curbing World War II inflation and to help pay for the War. As inflation began to rise, the policy of the government was to raise taxes to help curb the trend. Raising taxes began in 1940 as government spending increase twofold and continued to rise. To assist in diminishing the effect of inflation and to help pay for the war, the FDR asked for higher taxes afterward passed by Congress. Quite a few of the revenue acts were approved in the 1940s.\* A sum of 46 percent of World War II was paid for by way of taxation. Even though taxation played a role, the economy was already strengthened by FDR's monetary policies coming out of the 1930s, enabling an extensive

---

\* The Revenue Acts of 1942, 1943, and 1944 were passed in addition to other tax revenue sources that were in place at that time. They were passed in an effort to help finance World War II and at the same time deter inflation. These Revenue Acts passed during World War II greatly broadened the types of products that were previously not considered luxury items. The Revenue Act of 1942 raised income taxes and set a maximum excess profits tax of 75 percent. It also eliminated loopholes in community properties protected in some states, introduced new excise taxes, and increased estate and gift taxes. The Revenue Act of 1943 went further in increasing the taxation of alcohol, luggage, cosmetics, jewelry, furs, and other luxury goods. The Revenue Act of 1944 froze social security taxes, decreased the number of exemptions for income taxes, and generally raised income taxes. See Paul Studenski and Herman E. Krooss, *Financial History Of The United States: Fiscal, Monetary, Banking, And Tariff, Including Financial Administration And State And Local Finance*, pp. 445-449 (New York: McGraw-Hill Book Company, Inc., 1952).

tax base to be available. Sound monetary policies must have contributed to the rise in economic growth, and taxation itself was in place primarily to suppress inflationary pressures. Therefore, even the profits harvested from taxation must be rooted in Roosevelt's monetary agenda.<sup>170</sup>

### GOLD AND SILVER DURING THE WAR

The gold rush into the U.S. Treasury sparked by the gold purchase program of the United States looked as if they were decreasing in 1935. However, the U.S. gold stock subsequently rose at a slower pace until the latter part of 1936 when France discontinued the gold standard. After the beginning of 1936, approximately 50 percent of U.S. gold importation came from France. Over the course of 1937 France became an importer instead of an exporter of gold to the U.S. The U.S. Treasury actually lost gold from October, 1937 until February, 1938, but in little quantities. Removal of European capital resources out of the United States stopped in 1938 when political instability intensified. With the eruption of war the gold inflow into the U.S. recommenced. In 1940, the fall of France exacerbated the gold inflow even more with England's pains to strengthen defense manufacture. Even though the Lend-Lease Act was passed in 1941 relieving European allied nations of direct financial responsibilities to the U.S., consequently slowing gold inflows, the Treasury still sustained the accumulation of gold stocks.<sup>171</sup>

Gold acquisitions by the United States continued all through World War II with even a drastic rise in 1940 as international governments transported gold to fulfill the obligation of defense contracts. The British government compensated for military provisions by first by marketing \$335 million in U.S. stock and moving over \$2 billion in

gold to the United States. The U.S. later went in debt for a large number of acquisitions by mandating services of international governments to the United States. The U.S. went through an incredible enlargement in its monetary stockpile during World War II in Europe in September, 1939 until November, 1941, entirely as a result of a tremendous increase in monetary gold stocks. From the beginning of the war in Europe in 1939, through December, 1941, the U.S. stock of money grew by 29 percent.<sup>172</sup>

During World War II, a several nation states tried to fight inflation by marketing gold to the citizenry either for their own specific avail or, as in the instance of several others in Asia and the Middle East, for other offshore accounts with the allied countries. In the case of India and the Middle East, gold sales were embarked on by those nations not only as a way of serving to fight inflation, but also for the reason of acquiring local legal tender for defense spending. Inflation in those nations tremendously made less the buying power of English and U.S. currency with exchange values remaining virtually consistent from 1939 until the end of World War II. However, the value of those regional monies increased twofold after 1939. As a result, it was possible to buy twice as much regional currency with one gold ounce as could be bought with an equivalent value of British or American currency. Governmental bimetal marketing as a way of fighting inflation were also used in Greece, Mexico, Chile, and China. Sales of silver were administered for the same reasons in India and Iran.<sup>173</sup>

The most severe gold marketing plans were those instituted in the nations of the Middle East and to a lesser extent in India. Gold sales by the government in the Middle East for the utter function of fighting inflation began in Iran in June, 1943, in Iraq, Palestine, Trans-Jordan, Syria, and Lebanon in August, 1943, and in Egypt in November,

1943. Those methods of liquidating assets were stopped in June, 1944, in all of the above nations with the exclusion of Iran were sustained until autumn of 1944. Government authorization of gold sales in India started in the summer of 1943, and were sustained until April, 1945. Apparently there was some tendency for wholesale markets to stabilize throughout the official gold sales period in those countries. In India, a decrease in the wholesale price increases occurred after the execution of gold sales, but only a portion of the responsibility may be credited to the gold selling policies. Between September, 1943, and March, 1944, wholesale price levels in India dropped 14 percent, and they stayed relatively constant from the spring of 1944 until at least 1946. Scholars have attributed this fall to a rise in confidence in monetary policies, execution of allocation and cost measures, and a decrease of Allied defense spending.<sup>174</sup>

In Syria, prices rose by more than 300 percent between January, 1942 and June, 1943. Here many merchants administered their values every day in relation to the price of gold as an alternative of the nation's currency. The same circumstances existed in Greece where gold had a tendency to replace the paper money as the generally accepted standard of value, and rents and commodity values started to be quoted in terms of gold bullion. Gold bullion was also marketed by the Germans in 1943 and 1944 as a way of quelling inflation. The Bank of Greece administered the market of monetary gold after reoccupation. In the beginning the gold sales were victorious in placing limitations on inflation, but after adequate amounts of bullion were released to the citizenry to serve as an additional exchange medium, its exchange rate in terms of money and products declined very quickly. The collective worth of gold coins in circulation went beyond several times the currency in circulation. In Egypt the market value of gold increased at

the same time with wholesale prices from 1939 until June, 1943, when the highest price of the yellow metal attained heights equal to almost all the nations in the Middle East. Much of the gold marketed in India and the Middle East was probably bought by citizens as a substitute to currency retention or depositing money in banks.<sup>175</sup>

Internationally, the bimetallic values were progressively more restricted and more regulated throughout World War II than in previous years. After the beginning of World War II in September, 1939 gold sales were stringently regulated in Great Britain and other key markets over seas. In England, the gold exchange value was pegged at 168 grains or 3/8 of a troy ounce per British pound where it stayed until June, 1945, when it was elevated to 172 grains. The Indian value for gold bullion, until the start of World War II, was similar to the British price. It gradually went up after that as Great Britain's currency went down. In autumn of 1939, the Indian government halted all movement of gold across their borders excluding special authorization, but there was no interference with the non-monetary gold market within the country. The price remained relatively constant until November, 1941, when it began an upward climb, and it kept increasing after the beginning of war in Asia, reaching an all-time high of over 98 rupees with equivalence to around \$78.00 per fine ounce in April, 1943. This great rise was the result of expected inflation during war affecting virtually all countries on earth and partly to the usage of gold as a concentrated asset reserve in time of need. From 1943 on, official sales of gold were used by England and the United States governments to acquire rupees for their usage in India and to aid in quelling inflation. This marketing lessened the value of gold in international trade. Also, the international demand for gold declined somewhat from 1943-1945 as the decline and fall of the Axis nations appeared to be unavoidable.<sup>176</sup>

In July, 1939, the Senate silver bloc prevailed in establishing, by legislative action, the national convertibility for silver at 71.11 cents per fine ounce. Simultaneously, the British market had fallen, on the premise of a U.S. Senate bill halting all acquisitions of international silver. The American market for international silver dropped continuously until it was set by the government at 35 cents per fine ounce, where it stayed until August, 1942. World War II incited a large industrial want for silver. By the middle of 1942 all international silver was being consumed by industry, and in September, 1942, the Office of Price Administration (OPA) instituted a price of 45 cents per ounce for international silver. In July, 1943, Congress passed the Green Act, which permitted the market of excess government silver for industrial purposes at 71.11 cents per fine ounce. By the summer of 1945 the government's surplus silver became tremendously less by the market of the metal authorized by the Green Act and by lend-lease transport to other nations. With the possibility of a shortage of industrial silver there was pressure for a higher price to attract international silver into the United States. On September 20, 1945, the OPA raised this price to 71.11 cents. In the meantime, on August 20, 1945, the War Production Board eliminated the restrictions on the use of various classifications of silver, so all silver was valued by the same criteria, with regard to its value and exploitation.<sup>177</sup>

Various countries beginning with World War II in 1939, started hoarding silver as a currency store. Those nation-states involved the Great Britain, Australia, New Zealand, South Africa, India, Pakistan, Ceylon, Burma, Iraq, Jordan, Ireland, and Southern Rhodesia, all of which were members of the British Commonwealth of Nations at the time. The primary reason for storing silver was to organize an arrangement of mutual

exchange and market regulations, regulating transactions with non-silver using nations, at the same time giving virtually absolute liberty of financial responsibility with the members. One rationale involved the acquisition of money outside the region, specifically American currency in an effort to compensate World War II.<sup>178</sup>

Along with the start of World War II, the value of silver also began to rise with the United Kingdom's pains to further depreciate their currency. In October, 1939, the importation of silver unless specifically authorized, in England, was unlawful. This resulted in lifting the English value of silver from the New York price. Hereafter, the British market was different from that of New York and often higher than its price. After prices declined in the spring of 1940, the price levels stabilized and leveled off. The Indian government sold its silver supplies in Great Britain in huge amounts from then on. With the start of exchange on January 3, 1945, price levels were altered to pence per ounce, 0.999 fine in an effort to sustain consistency with the American standard, and the convertibility of the British pound was structured consequently. When the price of U.S. silver increased to 71.11 cents in September, 1945, the English value was again adjusted to be consistent with the U.S.<sup>179</sup>

The Indian convertibility ratio of silver from September 1931 until the end of 1941 can be paralleled to much of the dynamics of the United Kingdom's and U.S. markets. Following September, 1939, the market was protected from both the British and American exchanges by controls on the fluctuation of silver prices. With the acceleration of aggression in Asia in December, 1941, silver in India began an escalation similar to gold and for virtually identical causes. A highest level of 143 rupees per ounce was attained on April 24, 1944. In June, 1944, the price levels began a downward spiral when

the announcement was made that the United States would allocate 100 million ounces of silver to India on a lend-lease contract. Later the quantity was raised to 223 million ounces. Marketing of silver really started in August, 1945, and while the price went down some, it stayed fairly high throughout the rest of the year. The Indian convertibility ratio may be very closely traced to that of the United States and Great Britain from 1936 to 1941, but it hovered primarily at a lower rate from then on because of tariffs place on silver. Beginning in 1942 the ratio mirrored changes in the values of both gold and silver. When gold prices increased more quickly than silver the convertibility increased. The inclination since the beginning of 1942 decreased somewhat as the demand for silver internationally was larger for silver than for gold, primarily for the increase in industrial use. The Chinese had no formal silver market, for under the silver standard there could be no noteworthy change in the value of silver bullion in relation to silver currency. The Chinese administered a silver currency at approximately the rate of 29.5 cents throughout 1936 and 1937, until the spring of 1938, which was many months after Japan attacked China. The value was lowered and the convertibility ratio decreased dramatically.<sup>180</sup>

#### ECONOMIC IMPACT OF LONG-TERM ROOSEVELT MONETARY POLICY

Scholars basically agree the United States completed economic recovery from the Great Depression in 1942, re-establishing full employment in that year after twelve years of high unemployment rates. Monetary policies were the primary influence from 1933 through 1940 and continued to emerge with increasing importance in 1941. World War II monetary policies were instrumental in the lowering of unemployment rates and not just the enter of the United States in World War II. What ended the Great Depression? Many

historians and economists have argued that World War II alone ended it. The scholars maintaining this argument are mostly associated with demand-side economics and include John Maynard Keynes, Robert Mundell, Arthur Laffer, Victor Canto, and Seymour E. Harris. The conventional doctrine was confronted by J. Bradford DeLong and Lawrence Summers. They provided an estimation that an excess of five-sixths of the decline and fall in unemployment rates were attained prior to 1942. They synthesize that almost none of the previous 1942 declines was associated with World War II. Christina Romer also makes this assessment by stating that World War II budgetary policies constituted virtually no role in the recovery from the Depression until after 1941. Romer holds Roosevelt's monetary policies as the exclusive reason for the recovery. Romer also states that the only feature leading to economic successes after 1938 constituted the gold increase in United States Treasury stocks. But this increase would not have happened unless the U.S. had such extensive gold and silver purchase programs already in place, which is a direct result of the monetary policies of the administration.<sup>181</sup>

World War II and the fiscal policies of the administration only topped off the economic recovery after it was already underway in the years prior to it. Monetary policies were the most influencing factors in the recovery throughout the administration. Unemployment was at the highest rate in history in 1933. More than fifty percent of the rates had been diminished by 1941-1942. The unemployment rate for 1942 was 4.7 percent for the civilian population and 4.4 percent for the labor force with the armed forces included. The GNP of the United States in 1929 was \$709.6 billion. This number dropped to \$498.5 billion by 1933. The GNP of the country progressively rose until it attained \$1.08 trillion by 1942. If fiscal policies constituted the greatest influencing factor

during World War II, a continuous increase every year leading up to the war should not be evident. Actually the GNP gradually rose in the approximate same proportions each year Roosevelt held the office.<sup>182</sup>

World War II did not end the Great Depression in the sense that the total economic well being attained its greatest height during the war. For example, real consumption per capita was lower during 1942 and 1945 than in 1941. This was largely due to rationing and the finance of the manufacture of defense products. Significant enlargement of monetary stockpiles transpired from 1938 through the end of World War II and instituted a tremendous affect on the country's total rise in GNP. Enlargement of bank reserves produced encouraging inflationary outlooks, discouraging superficial interest rates adequate to incite the needed rises in interest rates and increased expenses associated with interest rates. The biggest change in governmental policies during World War II consisted of government acquisitions and taxation, but these alterations constituted a narrow effect on the economy as the unemployment and GNP developments for America continually changed at a dynamical consistent degree contrasting sharply to previous years.<sup>183</sup>

While countless nations experienced a depression at approximately the same time as the United States, the decline and fall in economic productivity and the subsequent recoil were to a greater extreme in the United States than it was internationally. The severity of the Great Depression was also larger in the United States than in any other country other than Poland. The American Depression was consummated by a decline and fall in consumption and finished by a rise in ventures to a measure substantially varying from the experience of most other developed nations. The economic tumult of the 1930s

was experienced by countries in all regions of the world. Countries as heterogeneous as the United States, Germany, Chile, and Japan all felt tremendous depressions in the 1930s. The international implications and applications, particularly the role of the gold purchase program, were monumental in the causation of the slump and transmission to a certain degree, the depression from one country to another.<sup>184</sup>

While various countries began their economic recovery at relatively the same time, there was much discussion in when each economy was in economic terms fully recovered. Rehabilitation from the depression is most often measured by an examination of when industrial production reached its highest point prior to the Depression. This happened in 1932 for New Zealand, 1933 for Romania, Greece, and Japan, 1934 for Sweden, Denmark, Finland, and Chile, 1935 for Great Britain, Norway, Hungary, and Estonia, 1936 for Germany, and 1937 for Italy, Austria, and Canada. The United States, Belgium, Czechoslovakia, France, the Netherlands, and Poland did not recover fully until after 1937.<sup>185</sup>

The economic revitalization of the United States from the Great Depression has been contrastingly depicted as incredibly fast and incredibly slow. It was rapid in the sense that the growth rate of industrial output was significantly great in the years between 1933 and 1937 and after 1938. Monthly industrial production increased by 79 percent between March, 1933 and the highest point in July, 1937. The annual industrial production in the United States in 1933 actually increased faster than in any other country. The growth was not limited to industrial manufacture. The GNP went up at a standard rate of almost 10 percent each year in the four years between 1933 and 1937, and repeatedly in the three years between the recession of 1938 and U.S. involvement in

World War II in December, 1941. The revitalization has been categorized nevertheless, slow in the sense that the decline and fall in output in the United States was so brutal in spite of the extraordinary expansionism, the GNP did not return to its pre-1929 level until 1937. The U.S. did not return to its pre-1929 growth rate until 1942. This fact leads to a common conclusion that the Great Depression did not cease until the outbreak of World War II.<sup>186</sup>

The war was not the chief foundation of the American recuperation, at least not in the same manner that is characteristically contemplated. The U.S. economy began recovering in 1933 predominantly because of tremendous increases in the money supply. Soon after taking office, Roosevelt, instituted emergency provisions designated to him by Congress, allowing the U.S. currency to depreciate. A new lower price for the dollar was fixed by law in January, 1934. This devaluation greatly increased the total value of the United States gold reserves. The Treasury opted not to ignore the increase in the value of gold reserves and issued gold certificates equal to the amount of the increase and deposited them in the Federal Reserve. As the government spent money, these gold certificates were converted into Federal Reserve notes, which are a component of the monetary base. Devaluation also brought in a large inflow of monetary gold from abroad as foreigners traded gold for the new less expensive dollars. After 1934, gold continued to flow into the United States because of the new price and political unrest in Europe. Hitler's quest for Europe caused Europeans to want to invest in American assets, which required they buy U.S. currency with gold. Instead of stabilizing this gold inflow by borrowing the dollars to trade for the gold, the Treasury paid for the gold with deposits at the Federal Reserve, and then replenished the accounts by issuing gold certificates.<sup>187</sup>

As a result, money supplies in the United States grew by 12 percent between April, 1933, and April, 1934. Also, the monetary base increased another 40 percent between April, 1934 and April, 1937. The monetary base increase is direct evidence that the money supply was growing during the 1930's as a result of policy decisions rather than political events in Europe or changes in the economy because of the recovery itself. Prior to the expansion of the money supply, devaluation assisted the recovery by serving as a warning sign of a change to a more expansionary monetary system. It advocates that the decline in value instantaneously encouraged acquisitions of agricultural apparatuses and additional principal supplies by producing opportunities of prospects in currency inflation, and economic progress. After 1934 the tremendous increase in the American money supply instituted precisely the effect on the U.S. economy that economists would forecast. Statistics demonstrated that interest rates declined and fell stridently in connection to the flow of gold into the U.S. Treasury. The action capitalized because the nominal rates subtly fell and actual and predicted inflation rose substantially. The producer price index rose at eight percent every year between January, 1933, and January, 1937. The fall in interest rates was pursued somewhat rapidly by a revitalization in expenditures initiated by falling interest rates, such as construction spending and citizen consumption of resilient products. This result may be seen in the fact that the American recovery, more than any other country, was led by a rush in the manufacture of investment goods. An additional piece of evidence suggesting a causal link between the fall in interest rates and the tremendous increase in specific categorizations of spending in the United States is the fact that American consumer purchases on durable products went up prior to consumer spending on services did. This serves as a good indicator that some

factor affected only durable good purchases, such as the fall in interest rates instituting the healing from the Great Depression.<sup>188</sup>

The increases in the money supply during the recovery can hardly be considered an accident caused by international developments or a predicted outcome of boom/bust economics. The political cataclysm abroad caused some gold inflow into the United States, but this would not have transpired without the extensive gold purchasing program. Some scholars even attribute international gold and monetary insufficiencies to escalating pressures leading up to the start of World War II. The Roosevelt administration deliberately opted to devalue U.S. currency and not to steady the ensuing gold movements, because it desired to amplify the monetary stocks and initiate inflation. The international gold movements offered a suitable method for the administration to change the conservative policies of the Federal Reserve. Previous presidents failed to adjust or attempt to alter any existing policy of the Federal Reserve. In absence of the bimetallic acquisitions programs, Roosevelt and the legislative branch may have modified the Federal Reserve's powers to make the Reserve to enlarge the money stocks. Devaluation proved to be critical because no country would be able to pursue such dynamic expansionary monetary initiatives for a never ending period and remain fixated on a certain exchange rate. FDR's judgment to abandon gold, which was a true gold standard, constituted a vital component of America's economic rebound.<sup>189</sup>

#### THE STATE OF AFFAIRS AT THE END OF THE REIGN OF ROOSEVELT WITH THE AMERICAN ECONOMY, BANKING AND FINANCIAL INSTITUTIONS

The swing in the practices of the Federal Reserve System throughout World War

It mirrored the pains by the federal government to administer to the nation's indebtedness. The government debt throughout World War II built up in excess of \$250 billion dollars and encompassed around 60 percent of all the remaining deficit of the country. The foremost objective of monetary policy during the period became the preservation of the market in government stocks and restrictions on the rise of surrender in these securities. Prior to 1937 Federal Reserve acquisitions and sales existed predominantly for the purpose to sway the number of member bank stockpiles and of member bank indebtedness at the Reserve banks. Policies were intended to impinge on the interest rates, including surrender on the government's securities, and the implications were expected to result primarily from changes in the ability and motivation of banks to lend and purchase securities.<sup>190</sup>

In 1937, Federal Reserve policy changed as for the first time the Federal Reserve bought durable government bonds for the purpose of limiting their price decline. After reaching high levels in the later part of 1936, the prices of long-term government securities and quality corporate bonds began to fall early in 1937. This decline did not extend to Treasury bills and notes. The Reserve System in a reaction, acquired more than \$200 million of the durable bonds and reduced its holdings of the shorter-term ones by \$150 million. As a consequence, the decline of government bond prices became ceased and reversed. The System sustained its elastic strategy from the beginning of 1937, until after December 7, 1941. Prior to World War II, there was a tremendous decline in bond value. To discontinue the downfall, the Reserve System declared that every Reserve Bank stood ready to extend credit on government stocks, at the same value, to non-member as well as member banks. The rate at New York and Boston steadied at one

percent and five other Reserve Banks established a privileged one percent rate on loans backed by governments. The Reserve also acquired \$500 million of stocks on the free market. Only one other time between the later part of 1939 and December, 1941, did the Federal Reserve foresee that it was necessary to acquire bonds to soften a decline and fall in those values.<sup>191</sup>

The excessive boost in Federal Reserve affiliates credit and deposits from 1938 forward served to slow a rise in Treasury bill rediscount rates. The Federal Reserve increased its individual claims by discounting member bank bills mostly secured by the government. In World War II the Federal Reserve raised its outstanding credit by buying government stock. The increase in bank reserves allowed an extension in the existing bank credit. In July, 1940, the surplus funds of associated banks were nearly \$7 billion and the reserve ratio of the district banks resided at eighty-nine percent. Throughout the rest of 1940, commercial banks enlarged their holdings of government securities by \$1.2 billion with holdings of member banks alone increasing by \$1.1 billion. Inflation was a concern with bank credit on hand in huge numbers. In addition member banks were almost totally out of debt to the Federal Reserve System.<sup>192</sup>

The first step the Federal Reserve took raised the reserve requirements of member banks. By the middle of 1941 there was a shortage of tactical materials. The government's spending program was exciting business activity, public purchasing, and general commodity price levels were going through the roof. Wholesale prices were at ninety-two percent of the 1926 level, which had been twenty-two percent higher than in 1939. The price index of twenty-eight basic commodities was fifty-five percent above 1939. On August 9, 1941, Roosevelt allowed the Federal Reserve Board Of Governors to

regulate the terms on which public credit could be extended in an effort to depress installment buying. Despite the substantiation of inflation, the Treasury financed almost half its defense deficit by selling securities to commercial banks. As a result, demand deposits went up from \$50 billion to \$60 billion, and government deposits in commercial banks increased by almost \$1 billion. Meanwhile, excess reserves went down only to \$3.4 billion because of the continual compilation of gold. This was offsetting to bank financing and a further hindrance by the increase in inflation. The Treasury began offering savings bonds from \$25 to \$1000 to quell the purchasing power of consumers. By December, 1941, the sales from these bonds totaled \$2.5 billion while redemptions were only \$14 million.<sup>193</sup>

From July 1, 1940, to June 30, 1946, the Federal government spent \$387 billion, ninety-five percent or \$360 billion of which was used up on defense. In 1945 alone \$100 billion was consumed by the defense budget which was more than ten times the highest prewar annual spending. The war spending was completed exclusively without lessening the sum of individual consumption while in the same period adding to production. Total consumption by the public is defined as the total sum of products and services consumed by individuals. There were several goods rationed by the federal government but on the whole the totality of the value of products and services consumed by individuals remained unchanged. By the end of the reign of Roosevelt the whole population's basic needs were better provided for than they were at the time he began his first term. Between 1942 and 1945 \$24.5 billion in savings bonds was marketed in the amounts of \$10 to \$100. By June, 1945 only \$7.6 billion of these were traded in.<sup>194</sup>

The complete holdings of all commercial banks doubled between 1941 and 1946.

Funds invested in government shares virtually increased by four times while other investments increased only somewhat. Agricultural loans lingered around the same figures while real estate, industrial, commercial, and consumer loans went down. The only financial credit which illustrated an increase was that which added to paid for the war. Credit extended for defense spending, assured by the government augmented continuously. At their height in June, 1944, they symbolized about twenty-eight percent of the entirety of the outstanding credit of the insured commercial banks. Currency enlarged in circulation along with bank deposits. In 1941, it was in excess of \$9.6 billion compared to \$26.5 billion in 1946. The sum of money in circulation rose from \$48.6 billion in 1941, to \$106 billion in 1946. The Treasury safeguarded the gigantic amplification in money as necessary for the increased industrial bustle caused by paying for World War II. The totality of money in circulation in 1945 equaled half of the nation's GNP, a tremendous amount by modern standards, yet Secretary Treasury Henry Morgenthau did not regard it as too much. Today the portion of the GNP that should consist of circulating currency that is considered healthy to the economy varies around ten percent. However, it should increase or decrease at the same rate as the GNP.<sup>195</sup>

As commercial bank deposits enlarged, reserves started to become smaller. At the same time, district bank reserves declined as a consequence of an increase in government deposits and large exportation of gold surmounting to \$951.7 million throughout 1944 and 1945. The money held in the district banks slowly moved toward a 40 percent minimum. On June 12, 1945, legislation amended the Federal Reserve Act reducing the reserved requirement against Federal Reserve notes and deposits to 25 percent. Congress also revoked the Federal Reserve System's permission to issue Federal Reserve Bank

notes and the President's authority to release \$3 billion in currency. It also made enduring the consent to use government obligations as refuge against Federal Reserve notes.<sup>196</sup>

Defense spending not only raised the total stock of money but also altered the configuration of American banking. Prior to World War II, big business was intensified in New York and Chicago, but the war brought with it additional production centers, and other regions started to surface as banking and commercial centers. In 1939, there were eighty-one banks with reserves of over \$100 million with twenty-five of them residing in New York and Chicago. In 1946, there were one hundred-eighty banks with over \$100 million each, with only thirty-four in the Federal Reserve cities. There was also an even greater growth rate among smaller banks. Seventy-one percent of the banks that held under \$1 million grew by three-hundred percent or more between 1939 and 1945.<sup>197</sup>

Between July 1, 1940, and June 30, 1946, the full amount of government purchasing was equal to \$1.042 trillion, of which the Federal government spent \$387 billion was barely over one-third. Throughout 1945 alone, it accounted for virtually half of the collective purchasing of \$214 billion. The immense raising in purchasing caused by World War II constituted a corresponding increase in household income and the GNP. Because all credit acquisitions by the government symbolized additional loans to other entities, Federal spending and the gradual rise in the Federal debt was balanced by the liquid assets of the other portions of the economy including banks, businesses, individuals, and state and local governments.<sup>198</sup>

Commercial banks came away from World War II with assets that doubled the amount achieved prior to the war. Investment accounts increased 25 percent from the amount it achieved prior to World War II. The ratio of total capital to assets to a large

extent became smaller both during and after the war, which is considered by economists to be safer for a healthy economy. The capital to assets ratio is defined as the amount of cash or readily available funds that the bank can liquidate versus the total amount of funds a bank owns, has deposited in it, or cash on hand. The Federal Reserve controls the quantity of currency in circulation at any one given time by restrictions placed on banks for their capital to assets ratios. During the 1930s the mean profit for U.S. banks constituted 2.5 percent of their entire net worth and 2.1 percent for corporations. During World War II the portion of net profits for the banking industry and virtually all businesses rose swiftly. In 1944 the amount of total profit for insured commercial banks increased to 9.7 percent yearly. Leading manufacturing corporations averaged profits of 9.7 percent and large trade corporations averaged yearly profits of 10.4 percent. From the beginning of the banking crisis in 1933 until the end of World War II, banks assets had an almost continuous growth rate. Growth rates were accompanied also by an ongoing increase in bank capital. Bank assets, however, increased at a more rapid pace than bank capital. Therefore the ratio between the two increased. The decline was accelerated by a tremendous increase in banking assets during the war, and the capital to asset ratio reached its lowest point at the end of 1945 at 5.5 percent. During 1946, there was a shrinkage in bank assets primarily caused by debt reparations. This brought about a halt to the bank asset to capital ratio decrease. The average ratio for commercial banks at the end of 1946 was 6.3 percent.<sup>199</sup>

A decline in bank loans during the beginning of World War II brought a rise in the ratio to twenty-nine percent in 1943. This was up from the 1938 ratio of twenty-six percent when there had been a continuous rise in the ratio since 1933. By the end of

1946, the expansion in bank loans was primarily responsible for a decline in the ratio to twenty-three percent, below the 1938 levels. The capital-deposit ratio had been established in the early twentieth century as a one to ten minimum standard. More and more banks slumped under this capital standard and the administration was criticized by various scholars. The FDIC, the Treasury, and Federal Reserve all used a one to ten ratio as minimum standards until 1935. Governmental branches and organizations eventually tranquilized the enforcement of stiff capital to asset ratio necessities. The FDIC sustained the embracement of the one to ten theory with not much influence on the capital ratio. Bank credit was determined to play a major role in financing World War II, and it was just not practicable to preserve a one to ten ratio. On November 22, 1942, the National Association of Supervisors of State Banks and the three federal regulatory organizations released an order eradicating administrative procedures and assessments of the capital ratios to finances by banks in United States Treasury stocks.<sup>200</sup>

At the end of Roosevelt's presidency, only a very tiny part of commercial banks maintained total capital accounts identical to as much as ten percent of the amount of bank assets. In 1946, insured commercial banks contained ninety-three percent of the total bank capital with ratios of capital to assets below ten percent. In thirty-seven percent of the banks, the ratio fell under five percent. Big banks are inclined to hold most of the deposits and are likely to have smaller capital ratios than little ones. The nation's deposits were mostly intensified with lower capital ratios. In 1946, forty-two percent of the nation's deposits resided in banks' vaults with capital ratios of less than five percent. In annual reports for 1943, 1944, and 1945 the Board of Governors of the Federal Reserve system proclaimed that the enlargement in deposit liabilities was correlated by increased

owning of U.S. government stock, and the relation of capital accounts to assets other than cash assets as high as they were before and during the early stages of World War II. In its 1946 annual report, the Board designated that the decline in bank holdings of United States Treasury stocks and the rise in credit extensions over the course of the year probably would necessitate amplification the capital of commercial banks.<sup>201</sup>

The Comptroller of the Currency synthesized that the decline and fall of the capital ratio throughout World War II was offset primarily by the growth in assets consisting of rises in the marketing of United States Treasury stocks, and he showed sensitivity for the alterations in the requirement. Bank capital was not satisfactory, in the Comptroller's view, for the functions of economics in time of peace in which the banks might be required to raise their credit extending activities. His problem solving constituted urging banks to inspect the competence of existing capital construction in regards to the nature and magnitude of bank business increases likely to be maintained in the upcoming years.<sup>202</sup>

New requirements for ratios of capital to total assets were suggested by the Federal Deposit Insurance Corporation. In the 1945 yearly press release the FDIC said the use of capital to risk assets such as assets other than United States government stocks and money was suitable for individual banks. Since the increase in bank assets throughout World War II occurred dealt with non-governmental securities, a requirement far under the one to ten ratio could now be allowed.<sup>203</sup>

The complete compilation of the national deficit on June 30, 1940, was \$43 billion, prior to when the U.S. became engaged in World War II. This may be contrasted to \$278 billion on December 31, 1945. In spite of the demise of interest percentages, the

relative and complete confinement of loans, by calculated interest payments, greatly rose throughout World War II. Interest payments went up 248 percent at the same time the total deficit itself went up by 502 percent between 1940 and 1945. The ratio of public debt went up from 1.34 percent of the national income in 1940 to 2.30 percent in 1945. Federal Reserve Banks began the policy to engage in the marketing of U.S. securities when the war came.<sup>204</sup>

## Conclusion

World War II was expected to end with high rates of unemployment. This however, did not happen as America emerged from the war stronger than ever before. At the end of Roosevelt's presidency the U.S. emerged as the World's largest creditor nation. This contrasts sharply with running a deficit when FDR first came into office in 1933. Without sound monetary policies and the restoration of banking and financial institutions many of the wartime concerns of postwar deficits and high unemployment might not have been realized. Gold and silver stocks continued to rise throughout the administration with tremendous international and domestic implications and applications.\* An argument is made by some scholars that the U.S. merely transmitted the Great Depression to other nations. I would argue that it is true only to an extent. Other nations did profit, after either completely leaving or modifying their gold and silver standards from the gold and silver purchase programs sought by the United States. In addition, it must be recognized that the world market price for gold, especially after 1940, actually stayed well above what the United States government was paying for it. After all,

---

\* Some of the most conservative scholars and economists in history even though disagreeing almost entirely with FDR's policies for tremendous governmental controls on the political economy agree that the gold and silver purchase programs instituted by Roosevelt largely achieved the goals of his administration to raise the average general price levels of agricultural products and raw materials. Scholars such as Milton Friedman, from the University of Chicago school of thought who primarily believe in limited government and free markets, agree that the goals set forth by Roosevelt raised the prices of the basic commodities. Friedman, who won the *Nobel Prize* in economics in 1976, has been one of the strongest critics of almost everything that FDR attempted. Programs such as social security, increased governmental expenditures on health care, employer provided health insurance, price controls, rationing, government subsidized businesses, and other governmental economic functions have all come under intense scrutiny by many reputable economists. Various examples, of governmental actions taken throughout history by various nation states has been used by Friedman to substantiate this claim. One such example includes the economic recovery of West Germany after World War II came much quicker than that of East Germany because West Germany's economy operated with less governmental restrictions and much freer than that of East Germany. See Milton Friedman and Anna Jacobson Schwartz, *A Monetary History Of The United States, 1867-1960*, (Princeton, New Jersey: Princeton University Press, 1963), pp. 420-492. See also *Germany Beyond The Wall: People, Politics, And Prosperity* by Jean Edward Smith, (Boston: Little, Brown And Company, 1969), pp. 83-113.

what good is it for the U.S. government to continue to stockpile something well above the international market for it with no apparent use for it. This thesis rests on the premise that Roosevelt raised the value of the U.S. dollar, restored the nation's banking and financial institutions, and strengthened America's economy for decades to come.<sup>205</sup>

This qualitative analysis of monetary policies of Franklin D. Roosevelt and his administration covering his entire presidency is unparalleled in American history. This original research demonstrates that Roosevelt's economic successes were primarily the result of his monetary policies. Although many of FDR's economic policies were ruled unconstitutional, his monetary policies were upheld by the Courts. An attempt has been made by some scholars only to look at what Roosevelt tried to do, instead of what actually happened. Roosevelt attempted many programs, but in retrospect many of them could not be implemented because they were ruled to be unconstitutional. The thesis demonstrates that almost all of FDR's economic successes were the direct result of the gold and silver purchase programs sought by the United States and the consequent restoration of America's banking and financial institutions. The thesis also challenges the theory that World War II alone brought our nation out of the great depression and that America merely transferred the depression entirely to other nations. Many of the New Deal initiatives were struck down by the courts but, his monetary and banking policies were upheld by them. Although other nations faced difficulties maintaining either gold or silver monetary standards, once currency stabilization was reached, many countries financed the war, and economic hardship was remedied by selling gold and silver to the U.S. Roosevelt's monetary policies had tremendous implications and applications, both domestic and international, and continued to be the driving force behind a postwar

economy in which the United States became the world's largest creditor nation. In conclusion the point should be made that Roosevelt was successful in instituting the gold and silver purchase program to get the economy going again and it was his most successful program and should be credited for most of his economic successes. By doing so Roosevelt instituted radical changes that were desperately needed at that time to bring us out of the depression.<sup>206</sup>

FDR did more to reinforce individual property rights of citizens inherent in the jurisprudence of Chief Justice, John Marshall, than any single act of the forty-two Presidents with the restoration and stabilization of banking and finance. Jean Edward Smith in *John Marshall: Definer Of A Nation* demonstrates that one of Marshall's greatest accomplishments includes the protection of private property rights Marshall believed that the protection of citizens private property serve as the cornerstone for the preservation of civil liberties. FDR's monetary policies including increased regulation of banks not only protected those rights in the United States but also moved toward the protection of individual property rights internationally with currency stabilization. Even though some scholars have challenged our governments movement away from the ability of currency to be converted into a specified weight of silver or gold, most economists believe that economies function best when they are independent of any gold or bimetallic standard.<sup>207</sup>

---

*Notes*

**INTRODUCTION**

<sup>1</sup> Arthur M. Schlesinger, J.R., *The Age of Roosevelt: The Coming of the New Deal* 3-23 (Boston: Houghton Mifflin Company, 1959); William E. Leuchtenburg, *Franklin D. Roosevelt and the New Deal 1932-1940* 1-40 (New York: Harper & Row, 1963); Paul K. Conkin, *The New Deal* 1-20 (New York: Thomas Y. Crowell Company, Inc., 1975); Roger Biles, *A New Deal For the American People* 11-29 (Dekalb, Illinois: Northern Illinois University Press, 1991); John Braemen, Robert H. Bremner, and David Brody, *The New Deal: The National Level* 11-25 (Columbus, Ohio: The Ohio State University Press, 1975); Kenneth S. Davis, *FDR: The New Deal Years 1933-1937: A History* 3-16 (New York: Random House, 1983); Jordan A. Schwarz, *The New Dealers: Power Politics in the Age of Roosevelt* 54-55, 80 (New York: Alfred A. Knopf, Inc., 1993); James R. Moore, "Sources of New Deal Economic Policy: The International Dimension," 61 *Journal of American History* 728-730 (1974); Frank D. Graham, "Achilles' Heels In Monetary Standards," 30 *American Economic Review* 16-32 (1940); Ronald I. Mckinnon, "The Rules of the Game: International Money in Historical Perspective," 31 *Journal of Economic Literature* 1-44 (Mar., 1993).

**CHAPTER ONE: BANKING AND FINANCE**

<sup>2</sup> Milton Friedman and Anna Jacobson Schwartz, *Monetary Trends In The United States And The United Kingdom: Their Relations To Income, Prices, And Interest Rates, 1876-1975* 15-137 (Chicago: University Of Chicago Press, 1982); Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States 1867-1960* 299-418 (Princeton, New Jersey: Princeton University Press, 1963); Schlesinger, *Age of Roosevelt: The Coming of the New Deal* 7-8, 10, 20; See also Arthur M. Schlesinger, J.R., *The Age of Roosevelt: The Crisis of the Old Order, 1919-1933* et al. (Boston: Houghton Mifflin Company, 1957); Ben S. Bernake, "The Macroeconomics of the Great Depression: A Comparative Approach," 27 *Journal Of Money, Credit and Banking* 1-28 (Feb., 1995); Jules I. Bogen, "Changed Conditions In The Marketing Of New Issues," 33 *Journal Of The American Statistical Association* 31-41 (Mar., 1938).

<sup>3</sup> Frederick A. Bradford, "Social Aspects Of Commercial Banking Theory," 11 *American Economic Review* 217-233 (Jun., 1933); O'Connor, *The Banking Crisis and Recovery* 6-13; J.C. Stamp, "The Report Of The Macmillan Committee," 41 *Economic Journal* 424-435 (Sep., 1931).

<sup>4</sup> O'Connor, *The Banking Crisis and Recovery* 6-13; Gerald Epstein and Thomas Ferguson, "Monetary Policy, Loan Liquidation, and Industrial Conflict: The Federal Reserve and the Open Market Operations Of 1932," 44 *Journal Of Economic History* 957-983 (Dec., 1984); Stamp, "Report Of The Macmillan Committee," 424-435.

<sup>5</sup> Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States 1867-1960* 437-439 (Princeton, New Jersey: Princeton University Press, 1963); Beckhart, "Monetary Policy and Commercial Bank Portfolios," 17-26; George W. Edwards, "The Myth Of The Security Affiliate," 37 *Journal Of The American Statistical Association* 245-232 (Jun., 1942); Walter A. Morton, "Liquidity and Solvency," 29 *American Economic Review* 272-285 (Jun., 1939).

<sup>6</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman and Schwartz, *Monetary History Of The United States* 299-418; J.F.T. O'Connor, *The Banking Crisis and Recovery Under the Roosevelt Administration* 14-27 (Chicago: Callaghan and Company, 1938); Gerald P. Dwyer, J.R., "The Effects Of The Banking acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 13 *Journal Of Money, Credit and Banking* 192-204 (May, 1981); E.C. Miller, "Responsibility For Federal Reserve Policy, 1927-1929," 25 *American Economic Review* 442-458 (Sep., 1935); Miguel Cantillo Simon, "The Rise and Fall Of Bank Control In The United States: 1890-1939," 88 *American Economic Review* 1077-1093 (Dec., 1998).

<sup>7</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 588-620; Friedman and Schwartz, *Monetary History Of The United States* 299-418; William J. Shultz and M.R. Caine, *Financial Development Of The United States* 628-666 (New York: Prentice Hall, Inc., 1937); Robert C. Turner, *Member-Bank Borrowing* 28-38 (Columbus, Ohio: Ohio State University Press, 1938); Harold Barger, "The Banks and The Stock Market," 43 *Journal Of Political Economy* 763-777 (Dec., 1935); Ben S. Bernake, "Nonmonetary Effects of the Financial Crisis in the Propagation of the Great Depression," 73 *American Economic Review* 257-276 (Jun., 1983); Charles W. Calomiris and Charles M. Kahn, "The Efficiency Of Self-Regulated Payments Systems: Learning From The Suffolk System," 28 *Journal Of Money, Credit and Banking* 766-797 (Nov., 1996); R.G. Thomas, "Bank Failures-Causes and Remedies," 8 *Journal Of Business Of The University Of Chicago* 297-318 (Jul., 1935).

<sup>8</sup> Friedman and Schwartz, *Monetary History Of The United States* 299-418; Ross M. Robertson, *The Comptroller and Bank Supervision: A Historical Appraisal* 117-122 (Washington D.C.: The Office of the Comptroller of the Currency, 1968); Susan Estabrook Kennedy, *The Banking Crisis Of 1933* 152-153 (Lexington, Kentucky: University Press of Kentucky, 1973).

<sup>9</sup> Friedman and Schwartz, *Monetary History Of The United States* 704-722; Samuel B. Chase, J.R., "Household Demand For Savings Deposits," 24 *Journal Of Finance* 643-658 (Sep., 1969).

<sup>10</sup> Friedman and Schwartz, *Monetary History Of The United States* 299-418; Shultz and Caine, *Financial Development Of The United States* 433-434, 598-599; Turner, *Member-Bank Borrowing* 11-15; Barger, "Banks and The Stock Market" 763-777; Gregory C. Boczar, "Market Characteristics and Market Bank Holding Company Acquisitions," 32 *Journal Of Finance* 131-146 (Mar., 1977); Edwards, "Myth Of The Security Affiliate," 232-245.

<sup>11</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 588-620; Friedman and Schwartz, *Monetary History Of The United States* 299-418; Shultz and Caine, *Financial Development Of The United States* 598-599; Barger, "Banks and The Stock Market" 763-777; Boczar, "Market Characteristics and Market Bank Holding Company Acquisitions," 131-146; Edwards, "Myth Of The Security Affiliate," 232-245; George W. Edwards, "Liquidity and Solvency Of National Banks, 1923-1933," 7 *Journal Of Business Of The University Of Chicago* 161-172 (Apr., 1934); S.E. Harris, "The Economic Legislation Of The 73<sup>rd</sup> Congress (1<sup>st</sup> Session), 1933," 43 *Economic Journal* 619-651 (Dec., 1933).

<sup>12</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Bradford, "Social Aspects Of Commercial Banking Theory," 217-233; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Edward C. Simons, "The Elasticity Of The Federal Reserve Note," 26 *American Economic Review* 683-690 (Dec., 1936).

<sup>13</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Bradford, "Social Aspects Of Commercial Banking Theory," 217-233; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Edward C. Simons, "The Elasticity Of The Federal Reserve Note," 26 *American Economic Review* 683-690 (Dec., 1936).

<sup>14</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Kennedy, *Banking Crisis Of 1933* 179-202; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204.

<sup>15</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Kennedy, *Banking Crisis Of 1933* 179-202; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204.

<sup>16</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Robertson, *Comptroller and Bank Supervision* 105-116; Albert H. Cox, J.R., "Regulation Of Interest On Deposits: An Historical Review," 22 *Journal Of Finance* 274-276 (May, 1967); Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Ronnie J. Phillips, "An End To Private Banking: Early New Deal Proposals To Alter The Role Of The Federal Government In Credit Allocation," 26 *Journal Of Money, Credit and Banking* 552-568 (Aug., 1994).

<sup>17</sup> Robertson, *Comptroller and Bank Supervision* 122-131; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Michael A. Heilperin, "Economic Of Banking Reform," 50 *Political Science Quarterly* 359-376 (Sep., 1933); Howard H. Preston, "The Banking Act Of 1933," 23 *American Economic Review* 552-568 (Dec., 1933); Ray B. Westerfield, "The Banking

Act Of 1933," 6 *Journal Of Political Economy* 339-373 (Jun., 1936).

<sup>18</sup> Bradford, "Social Aspects Of Commercial Banking Theory," 217-233; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Preston, "Banking Act Of 1933," 585-607.

<sup>19</sup> Friedman and Schwartz, *Monetary History Of The United States* 299-418; Frederick A. Bradford, "The Banking Act Of 1935," 25 *American Economic Review* 661-672 (Dec., 1935); Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Edwards, "Myth Of The Security Affiliate," 232-245; John H. Williams, "The Banking Act Of 1935," 26 *American Economic Review* 95-105 (Mar., 1936).

<sup>20</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Bradford, "Social Aspects Of Commercial Banking Theory," 217-233; Bradford, "Banking Act Of 1935," 661-672; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Edwards, "Myth Of The Security Affiliate," 232-245; A.D. Gayer, "Proposed Amendment Of The Federal Reserve Act Of The United States: The Administrative Banking Bill Of 1935," 45 *Economic Journal* 286-295 (Jun., 1935); E.A. Goldenweiser, "Significance Of The Lending Function Of The Federal Reserve Banks," 31 *Journal Of The American Statistical Association* 95-102 (Mar., 1936).

<sup>21</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Bradford, "Banking Act Of 1935," 661-672; Currie, "Supply and Control Of Money," 694-704; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Gayer, "Banking Act Of 1935," 97-116; E.A. Goldenweiser, "Pritchard On The Federal Reserve Bank Note: Comment," 55 *Journal Of Political Economy* 359-360 (Aug., 1947).

<sup>22</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Bradford, "Banking Act Of 1935," 661-672; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Edwards, "Myth Of The Security Affiliate," 232-245; Gayer, "Proposed Amendment Of The Federal Reserve Act Of The United States," 286-295.

<sup>23</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Bradford, "Banking Act Of 1935," 661-672; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204.

<sup>24</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman and Schwartz, *Monetary History Of The United States* 420-492; George J. Benston, "Universal Banking," 8 *Journal Of Economic Perspectives* 121-143 (Summer, 1994); Bradford, "Banking Act Of 1935," 661-672; Cox, "Regulation Of Interest On Deposits," 274-276; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204.

<sup>25</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Bradford, "Social Aspects Of Commercial Banking Theory," 217-233; Bradford, "Banking Act Of 1935," 661-672; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Edwards, "Myth Of The Security Affiliate," 232-245.

<sup>26</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 588-620; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Bradford, "Banking Act Of 1935," 661-672; Cox, "Regulation Of Interest On Deposits," 274-276; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Edwards, "Myth Of The Security Affiliate," 232-245.

<sup>27</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; William Fellner, "The Commercial Policy Implications Of The Fund and Bank," 35 *American Economic Review* 262-271 (May, 1945).

<sup>28</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Shultz and Caine, *Financial Development Of The United States* 670-675; Walter L. Buenger, "Between the Community and Corporation: The Southern Roots of Jesse H. Jones The Reconstruction Finance Corporation," 56 *Journal Of Southern History* 481-510 (Aug., 1990).

<sup>29</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Reconstruction Finance

Corporation, *Public Advertisement Regarding Notes Of The Reconstruction Finance Corporation, Series Of February 1, 1934*. et. al. Circular no. 12, Oct. 26, 1933; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204.

<sup>30</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; RFC, *Public Advertisement et. al*; Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587.

<sup>31</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; E.A. Goldenweiser, "Federal Reserve Objectives and Policies In Retrospect and Prospect," 37 *American Economic Review* 320-338 (Jun., 1947).

<sup>32</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204.

<sup>33</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; *A Brief History Of Deposit Insurance In The United States*. Washington, D.C.: Prepared For The International Conference On Deposit Insurance, FDIC, Sep., 1998; Benston, "Universal Banking" 121-143; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Emerson, "Guaranty Of Deposits Under The Banking Act Of 1933," 229-234.

<sup>34</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Emerson, "Guaranty Of Deposits Under The Banking Act Of 1933," 229-234; J.H. Taggart and L.D. Jennings, "The Insurance Of Banks Deposits," 42 *Journal Of Political Economy* 508-516 (Aug., 1934).

<sup>35</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Mortimer J. Fox, J.R., "Deposit Insurance As An Influence For Stabilizing The Bank Structure," 31 *Journal Of The American Statistical Association* 103-112 (Mar., 1936); Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Emerson, "Guaranty Of Deposits Under The Banking Act Of 1933," 229-234.

<sup>36</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Emerson, "Guaranty Of Deposits Under The Banking Act Of 1933," 229-234.

<sup>37</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Shultz and Caine, *Financial Development Of The United States* 575-576; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Emerson, "Guaranty Of Deposits Under The Banking Act Of 1933," 229-234.

<sup>38</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; A.D. Gayer, "The Banking Act Of 1935," 50 *Quarterly Journal Of Economics* 97-116 (Nov., 1935).

<sup>39</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 15-137; Edwards, "Liquidity and Solvency Of National Banks," 161-172; Emerson, "Guaranty Of Deposits Under The Banking Act Of 1933," 229-234.

<sup>40</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Bradford, "Banking Act Of 1935," 661-672; Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Lin Lin, "Professor Graham On Reserve Money and The 100 Per Cent Proposal," 27 *American Economic Review* 112-113 (Mar., 1937).

<sup>41</sup> Lauchlin Currie, "The Supply and Control Of Money: A Reply To Dr. B.M. Anderson, J.R." 49 *Quarterly Journal Of Economics* 694-704 (Aug., 1935); Dwyer, "Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking," 192-204; Lin Lin, "Professor Graham On Reserve Money," 112-113.

<sup>42</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 138-205; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Michael Patrick Allen, "Capitalist Response To State Intervention: Theories Of The State and Political Finance In The New Deal," 56 *American Sociological Review* (Oct., 1991); Ben S. Bernake and Kevin Carey, "Nominal Wage

Stickiness and Aggregate Supply in The Great Depression,” 3 *Quarterly Journal Of Economics* 853-883 (Aug., 1996); Dwyer, “Effects Of The Banking Acts Of 1933 and 1935 On Capital Investment In Commercial Banking,” 192-204; Leo Rogin, “The New Deal: A Survey Of The Literature,” 49 *Quarterly Journal Of Economics* 325-255 (Feb., 1935).

<sup>43</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 138-205; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Bernake and Carey, “Nominal Wage Stickiness and Aggregate Supply in The Great Depression,” 853-883; James M. Boughton and Elmus R. Wicker, “The Behavior Of The Currency-Deposit Ratio During The Great Depression,” 11 *Journal Of Money, Credit and Banking* 405-418 (Nov., 1979); Currie, “Supply and Control Of Money,” 694-704; Clark Warburton, “Monetary Control Under The Federal Reserve Act,” 61 *Political Science Quarterly* 505-534 (Dec., 1946).

<sup>44</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 138-205; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Boughton and Wicker, “Behavior Of The Currency-Deposit Ratio During The Great Depression,” 405-418; Currie, “Supply and Control Of Money,” 694-704; Melchoir Payli, “Bank Portfolios and The Control Of The Capital Market.” 14 *Journal Of Business Of The University Of Chicago* 70-111 (Jan., 1938).

<sup>45</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Boughton and Wicker, “Behavior Of The Currency-Deposit Ratio During The Great Depression.” 405-418; Federal Reserve System, Board Of Governors, *Annual Reports*. 1933-1938.

## CHAPTER TWO: GOLD AND SILVER REGULATION

<sup>46</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 138-205; Charles R. Whittlesey, “Political Aspects Of The Gold Problem,” 9 *Journal Of Economic History* 50-60 (1949); C.J. Bullock, “Devaluation,” 16 *Review Of Economic Statistics* 41-44 (Feb. 15, 1934); Christina D. Romer, “What Ended The Great Depression?” 52 *Journal Of Economic History* 757-784 (Dec., 1992); Arthur Smithies, “The American Economy In The Thirties,” 36 *American Economic Review* 11-27 (May, 1946).

<sup>47</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 205-341; Friedman and Schwartz, *Monetary History Of The United States* 299-418; James M. Boughton and Elmus R. Wicker, “The Behavior Of The Currency-Deposit Ratio During The Great Depression,” 11 *Journal Of Money, Credit and Banking* 405-418 (Nov., 1979); George E. Roberts, “Speculation, Gold, and Bank Policy,” 11 *Review Of Economic Statistics* 197-202 (Nov., 1929); Frank D. Graham, “Achilles Heels In Monetary Standards,” 30 *Economic Review* 16-17 (Jan., 1940); S.E. Harris, “A Year Of Banking And Monetary Policy,” 16 *Review Of Economic Statistics* 72-79 (Apr. 15, 1934); J. Peter Ferderer and David A. Zelewski, “Uncertainty As A Propagating Force In The Great Depression,” 54 *Journal of Economic History* 825-849 (Dec., 1994).

<sup>48</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 205-341; Friedman and Schwartz, *Monetary History Of The United States* 299-418; Kennedy, *Banking Crisis of 1933* 29-31; Brian L. Goff and Mark Toma, “Optimal Seigniorage, The Gold Standard, and Central Bank Financing,” 25 *Journal Of Money, Credit and Banking* 79-95 (Feb., 1993); James R. Moore, “Sources Of New Deal Economic Policy: The International Dimension,” 61 *Journal Of American History* 739-740 (1974); Harris, “A Year Of Banking And Monetary Policy,” 72-79; Ferderer and Zelewski, “Uncertainty As A Propagating Force In The Great Depression,” 825-849.

<sup>49</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 205-341; Friedman and Schwartz, *Monetary History Of The United States* 299-418; Graham, “Achilles heels In Monetary Standards,” 16-32; Moore, “Sources Of New Deal Economic Policy,” 739-740; Smithies, “American Economy In The Thirties,” 11-27; Harris, “A Year Of Banking And Monetary Policy,” 72-79; Ferderer and Zelewski, “Uncertainty As A Propagating Force In The Great Depression,” 825-849.

<sup>50</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 205-341; Friedman and Schwartz, *Monetary History Of The United States* 299-418; G. Findlay Shirras, “The Position And Prospects Of Gold,” 50 *Economic Journal* 207-223 (Jun.-Sep., 1940); Lawrence Smith, “The Suspensions Of The Gold Standard In Raw Exporting Countries,” 24 *American Economic Review* 430-439

(Sep., 1934); Ferderer and Zelewski, "Uncertainty As A Propagating Force In The Great Depression," 825-849.

<sup>51</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Edwin Cannon, "The Future Of Gold In Relation To Demand," 44 *Economic Journal* 177-187 (Jun., 1934); Shirras, "Position And Prospects Of Gold," 207-223; Simmons, "Elasticity Of The Federal Reserve Note," 683-690; James W. Angell, "Gold, Banks, And The New Deal," 49 *Political Science Quarterly* 481-505 (Dec., 1934); Harris, "A Year Of Banking And Monetary Policy," 72-79; Ferderer and Zelewski, "Uncertainty As A Propagating Force In The Great Depression," 825-849.

<sup>52</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 15-137; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Bullock, "Devaluation," 41-44; Bertrand Fox, "Gold Prices And Exchange Rates," 17 *Review Of Economic Statistics* 72-78 (Aug., 1935); Simmons, "Elasticity Of The Federal Reserve Note," 683-690.

<sup>53</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; W.L. Crum, "The Course Of Commodity Prices," 16 *Review Of Economic Statistics* 207-212 (Oct. 15, 1934); Edward C. Simmons, "The Gold Certificate," 44 *Journal Of Political Economy* 534-543 (Aug., 1936).

<sup>54</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 205-341; Friedman and Schwartz, *Monetary History Of The United States* 420-492; William Adams Brown, J.R., "Comments On Gold And The Monetary System," 30 *American Economic Review* 38-51 (Feb., 1941); Cannon, "Future Of Gold In Relation To Demand," 177-187.

<sup>55</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 138-205; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Harry D. Gideonse, "Money And Finance," 39 *American Journal Of Sociology* 749-758 (May, 1934).

<sup>56</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Karl R. Bopp, "Central Banking At The Crossroads," 34 *American Economic Review* 260-277 (Mar., 1944); "Who Pays For The Gold?" 32 *American Economic Review* 125-128 (Mar., 1942).

<sup>57</sup> Schlesinger, *Age of Roosevelt: The Coming of the New Deal* 234-252; Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 113-114, 569-571; Cannon, "Future Of Gold In Relation To Demand, 177-187; Romer, "What Ended The Great Depression?" 757-784; Angell, "Gold, Banks, And The New Deal," 481-505.

<sup>58</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 138-205; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Paul Studenski and Herman E. Krooss, *Financial History Of The United States: Fiscal, Monetary, Banking, And Tariff, Including Financial Administration And State And Local Finance* 385-386 (New York: Mcgraw-Hill Book Company, Inc., 1952); Milton Friedman, "Monetary Policy: Theory and Practice," 14 *Journal Of Money, Credit And Banking* 98-118 (Feb., 1982).

<sup>59</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Shirras, "Position And Prospects Of Gold", 207-233; Fox, "Gold Prices And Exchange Rates," 72-78.

<sup>60</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Simmons, "The Gold Certificate." 534-543; Romer, "What Ended The Great Depression?" 757-784; E. Pendleton Herring, "Second Session Of The 73<sup>rd</sup> Congress, January 3, 1934 To June, 18, 1934," 28 *American Political Science Review* 852-866 (Oct., 1934); Harris, "A Year Of Banking And Monetary Policy," 72-79.

<sup>61</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 138-205; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Brown, "Comments On Gold And The Monetary System," 38-51; Fox, "Gold Prices And Exchange Rates," 72-78; Ira B. Cross, "A Note On The Use Of The Word 'Currency'," 52 *Journal Of Political Economy* 362-363 (Dec., 1944); Herring, "Second Session Of The 73<sup>rd</sup> Congress," 852-866; Harris, "A Year Of Banking And Monetary Policy," 72-79.

<sup>62</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; J.H. Jones, "The Gold Standard," 43 *Economic Journal* 551-574 (Dec., 1933); Robert J. Barro, "Money And The Price Level Under The Gold Standard," 89 *Economic Journal* 13-33 (Mar., 1979); Crum, "The Course Of Commodity Prices," 207-212; J.H. Jones, "Exchange Stability Versus Internal Price Stability," 277-312.

<sup>63</sup> Schlesinger, *Age of Roosevelt: The Coming Of The New Deal* 238-240; Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-406; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Barro, "Money And The Price Level Under The Gold Standard," 13-33; Jones, "The Gold Standard," 551-574; Crum, "The Course Of Commodity Prices," 207-212; J.H. Jones, "Exchange Stability Versus Internal Price Stability," 277-312.

<sup>64</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Milton Friedman, "Commodity-Reserve Currency," 59 *Journal Of Political Economy* 203-232 (Jun., 1951); Friedman and Schwartz, *Monetary History Of The United States* 420-492; Barro, "Money And The Price Level Under The Gold Standard," 13-33; Jones, "The Gold Standard", 551-574; R.G. Hawtrey, "The Gold Standard And The Balance Of Payments," 36 *Economic Journal* 50-68 (Mar., 1926); F.A. Hayek, "A Commodity Reserve Currency," 53 *Economic Journal* 176-184 (Jun.-Sep., 1943); J.H. Jones, "Exchange Stability Versus Internal Price Stability," 277-312.

<sup>65</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman, "Commodity-Reserve Currency," 203-232; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Brown, "Comments On Gold And The Monetary System," 38-51; Hayek, "Commodity Reserve Currency," 176-184; J.H. Jones, "Exchange Stability Versus Internal Price Stability," 277-312.

<sup>66</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman, "Commodity-Reserve Currency," 203-232; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Barro, "Money And The Price Level Under The Gold Standard," 13-33; Jones, "The Gold Standard", 551-574; Brown, "Comments On Gold And The Monetary System," 38-51; Hayek, "Commodity Reserve Currency," 176-184; J.H. Jones, "Exchange Stability Versus Internal Price Stability," 277-312.

<sup>67</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Simmons, "The Gold Certificate." 534-543; Brown, "Comments On Gold And The Monetary System," 38-51.

<sup>68</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Brown, "Comments On Gold And The Monetary System," 38-51; Hayek, "Commodity Reserve Currency," 176-184; Milton Friedman, "Bimetallism Revisited," 4 *Journal Of Economic Perspectives* 85-104 (Autumn, 1990).

<sup>69</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Brown, "Comments On Gold And The Monetary System," 38-51; Hayek, "Commodity Reserve Currency," 176-184; Gideonse, "Money And Finance," 749-758; S.E. Harris, "Commodity Prices And Public Expenditures," 17 *Review Of Economic Statistics* 39-44 (Feb. 15, 1935).

<sup>70</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Simmons, "The Gold Certificate." 534-543; Jones, "The Gold Standard", 551-574; Hayek, "Commodity Reserve Currency," 176-184; Harris, "Commodity Prices And Public Expenditures," 39-44.

<sup>71</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 342-394; Alvin H. Hansen, "The Situation Of Gold Today In Relation To World Currencies," 27 *American Economic Review* 130-140 (Mar., 1937); Hayek, "Commodity Reserve Currency," 176-184; Benjamin Graham, "Money As Pure Commodity," 37 *American Economic Review* 304-307 (May, 1947).

<sup>72</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman, "Commodity-Reserve Currency," 203-232; Charles O'Hardy, *Is There Enough Gold?* 165-172 (Washington D.C. : The Brookings Institution, 1936).

<sup>73</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Milton Friedman, "Franklin D. Roosevelt, Silver, And China," 100 *Journal Of Political Economy* 62-83 (Feb., 1992); Lewis A. Froman, "Bimetallism: Reconsidered In The Light Of Recent Developments," 26 *American Economic Review* 53-61 (Mar., 1936); Herbert M. Bratter, "The Silver Episode," 46 *Journal Of Political Economy* 609-652 (Oct., 1938); William A. Berridge, "Some Facts Bearing On The Silver Program," 16 *Review Of Economic Statistics* 231-236 (Nov. 15, 1934); Herring, "Second Session Of The 73<sup>rd</sup> Congress," 852-866.

<sup>74</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Froman, "Bimetallism: Reconsidered In The Light Of Recent Developments," 53-61; Bratter, "Silver Episode," 609-652; Berridge, "Some Facts Bearing On The Silver Program," 231-236; Herring, "Second Session Of The 73<sup>rd</sup> Congress," 852-866.

<sup>75</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Froman, "Bimetallism: Reconsidered In The Light Of Recent Developments," 53-61; Herring, "Second Session Of The 73<sup>rd</sup> Congress," 852-866; Bernanke, "Macroeconomics Of The Great Depression," 1-28.

<sup>76</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Bratter, "Silver Episode," 609-652; Bratter, "Silver Episode II," 802-837; Berridge, "Some Facts Bearing On The Silver Program," 231-236; Herring, "Second Session Of The 73<sup>rd</sup> Congress," 852-866.

<sup>77</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Herbert M. Bratter, "The Silver Episode:II", 46 *Journal Of Political Economy* 802-803 (Dec. 1938); Berridge, "Some Facts Bearing On The Silver Program," 231-236; Herring, "Second Session Of The 73<sup>rd</sup> Congress," 852-866.

<sup>78</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Bratter, "Silver Episode," 609-652; Bratter, "Silver Episode II," 802-837; Dickson H. Leavens, "The Distribution Of The World's Silver," 17 *Review Of Economic Statistics* 131-138 (Nov., 1935); Dickson H. Leavens, "Bullion Prices And The Gold-Silver Ratio, 1929-1945," 28 *Review Of Economic Statistics* 160-164 (Aug., 1946).

<sup>79</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Hayek, "Commodity Reserve Currency," 176-184; Barro, "Money And The Price Level Under The Gold Standard," 13-33; Jones, "The Gold Standard", 551-574; Froman, "Bimetallism: Reconsidered In The Light Of Recent Developments," 53-61; Leavens, "Distribution Of The World's Silver," 131-138.

<sup>80</sup> Friedman and Schwartz, *Monetary History Of The United States* 420-492; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Bratter, "Silver Episode," 609-652; Bratter, "Silver Episode II," 802-837.

<sup>81</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman and Schwartz, *Monetary History Of The United States* 420-492; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Hayek, "Commodity Reserve Currency," 176-184; Barro, "Money And The Price Level Under The Gold Standard," 13-33; Jones, "The Gold Standard", 551-574; Leavens, "Bullion Prices And The Gold-Silver Ratio," 160-164.

<sup>82</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Frederick C. Mills, *Prices In Recession And Recovery: A Survey Of Recent Changes* 130-131 (New York: National Bureau Of Economic Research, Inc., 1936).

<sup>83</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Romer, "What Ended The Great Depression?" 757-784; Whittlesey, "Political Aspects Of The Gold Problem," 50-60; Leavens, "Distribution Of The World's Silver," 131-138; Smithies, "American Economy In The Thirties," 11-27.

### CHAPTER THREE: INTERNATIONAL IMPLICATIONS AND APPLICATIONS

<sup>84</sup> Schlesinger, *The Age Of Roosevelt: The Coming Of The New Deal* 233-252; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Hayek, "Commodity Reserve Currency", 176-184; Harris, "Commodity Prices And Public Standard", 39-44; McKinnon, "Rules Of The Money Game In Historical

Perspective”, 1-44. Willis J. Winn, “A Commodity-Reserve Currency: A Rejoinder,” 51 *Journal Of Political Economy* 175-177 (Apr., 1943); Jon C. Luke, “Inflation-Free Pricing Rules For A Generalized Commodity-Reserve Currency,” 83 *Journal Of Political Economy* 779-790 (Aug., 1975).

<sup>85</sup> R.S. Sayers, II *The Bank Of England, 1891-1944* 460-475 (Cambridge: Cambridge University Press, 1976); Paris, *Monetary Policies Of The United States, 1932-1938* 12-31; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; Schlesinger, *The Age Of Roosevelt: The Coming Of The New Deal* 233-252; Clark Warburton, “Monetary Difficulties And The Structure Of The Monetary System,” 7 *Journal Of Finance* 523-545 (Dec., 1952); Simmons, “The Gold Certificate,” 534-543; Jones, “Exchange Stability Versus Internal Price Stability,” 277-312.

<sup>86</sup> Hawtrey, “Gold Standard And The Balance Of Payments”, 50-68; Paris, *Monetary Policies Of The United States, 1932-1938* 12-31; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; Sayers, II *Bank Of England* 481-500.

<sup>87</sup> Timothy Green, *Central Bank Gold Reserves: An Historical Perspective Since 1945* 12-23 (London: World Gold Council, November 1999); Paris, *Monetary Policies Of The United States, 1932-1938* 12-31; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; Sayers, II *Bank Of England* 387-415; McKinnon, “Rules Of The Money Game In Historical Perspective”, 1-44; Jones, “Exchange Stability Versus Internal Price Stability,” 277-312.

<sup>88</sup> Paris, *Monetary Policies Of The United States, 1932-1938* 12-31; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; Schlesinger, *The Age Of Roosevelt: The Coming Of The New Deal* 201-232; Sayers, II *Bank Of England* 387-459; O’Hardy, *Is There Enough Gold?*, 165-173; Jones, “Exchange Stability Versus Internal Price Stability,” 277-312; Harris, “A Year Of Banking And Monetary Policy,” 72-79; J.H. Jones, “The Gold Standard,” 43 *Economic Journal* 551-574 (Dec., 1933).

<sup>89</sup> Paris, *Monetary Policies Of The United States, 1932-1938* 12-31; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; Schlesinger, *The Age Of Roosevelt: The Coming Of The New Deal* 201-232; Sayers, II *Bank Of England* 456-482; Alex Rosenson, “International Commodity Reserve Standard Reconsidered,” 30 *Review Of Economics And Statistics* 135-140 (May, 1948); Haggard, “Institutional Foundations Of Hegemony: Explaining The Reciprocal Trade Agreements Act Of 1934,” 91-119.

<sup>90</sup> Paris, *Monetary Policies Of The United States, 1932-1938* 30-41; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; Sayers, II *Bank Of England* 456-482; Rosenson, “International Commodity Reserve Standard Reconsidered,” 135-140; Jones, “Exchange Stability Versus Internal Price Stability,” 277-312.

<sup>91</sup> Paris, *Monetary Policies Of The United States, 1932-1938* 30-41; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483.

<sup>92</sup> Paris, *Monetary Policies Of The United States, 1932-1938* 30-41; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; W.T.M. Beale, J.R., M.T. Kennedy, and W.J. Winn, “Commodity Reserve Currency: A Critique,” 50 *Journal Of Political Economy* 579-594 (Aug., 1942); Brown, “Comments On Gold And The Monetary System,” 38-51.

<sup>93</sup> Paris, *Monetary Policies Of The United States, 1932-1938* 30-41; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; David McCord Wright, “The Future Of Keynesian Economics,” 35 *American Economic Review* 284-307 (Jan., 1945).

<sup>94</sup> Paris, *Monetary Policies Of The United States, 1932-1938* 30-41; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; Sayers, II *Bank Of England* 455-459.

<sup>95</sup> Paris, *Monetary Policies Of The United States, 1932-1938* 30-41; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; Hansen, “Situation Of Gold Today In Relation To World Currencies,” 130-140.

<sup>96</sup> Paris, *Monetary Policies Of The United States, 1932-1938* 30-41; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483.

<sup>97</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 15-137; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; Jones, “Exchange Stability Versus Internal Price Stability,” 277-312.

<sup>98</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 15-137;

Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483.

<sup>99</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 15-137;

Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483.

<sup>100</sup> Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Boris C. Swerling, "Buffer Stocks And International Commodity Problems," 63 *Economic Journal* 778-790 (Dec., 1953); Fox, "Gold Prices And Exchange Rates," 72-78.

<sup>101</sup> Richard A. Lester, *Monetary Experiments: Early American And Recent Scandinavian* (Princeton, New Jersey: Princeton University Press), pp. 188-284; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Boris C. Swerling, "Buffer Stocks And International Commodity Problems," 63 *Economic Journal* 778-790 (Dec., 1953); Fox, "Gold Prices And Exchange Rates," 72-78.

<sup>102</sup> Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Sayers, II *Bank Of England* 522-525; Swerling, "Buffer Stocks And International Commodity Problems," 778-790.

<sup>103</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 15-137; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; Fox, "Gold Prices And Exchange Rates," 72-78.

<sup>104</sup> Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; Swerling, "Buffer Stocks And International Commodity Problems," 778-790; Barro, "Money And The Price Level Under The Gold Standard," 13-33; Jones, "Exchange Stability Versus Internal Price Stability," 277-312.

<sup>105</sup> Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 464-483; Hayek, "Commodity Reserve Currency", 176-184; Swerling, "Buffer Stocks And International Commodity Problems," 778-790; Barro, "Money And The Price Level Under The Gold Standard," 13-33; Jones, "Exchange Stability Versus Internal Price Stability," 277-312.

<sup>106</sup> Hayek, "Commodity Reserve Currency", 176-184; Barro, "Money And The Price Level Under The Gold Standard," 13-33.

<sup>107</sup> Hayek, "Commodity Reserve Currency", 176-184; Barro, "Money And The Price Level Under The Gold Standard," 13-33.

<sup>108</sup> Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-492; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Graham, "Money As A Pure Commodity," 304-307; Hawtrey, "Gold Standard And The Balance Of Payments", 50-68.

<sup>109</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 15-137; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Paris, *Monetary Policies Of The United States, 1932-1938* 42-80; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-492; Swerling, "Buffer Stocks And International Commodity Problems," 778-790; Graham, "Money As A Pure Commodity," 304-307.

<sup>110</sup> Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Paris, *Monetary Policies Of The United States, 1932-1938* 42-80; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-492; Swerling, "Buffer Stocks And International Commodity Problems," 778-790.

<sup>111</sup> Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Paris, *Monetary Policies Of The United States, 1932-1938* 42-80; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-492; Swerling, "Buffer Stocks And International Commodity Problems," 778-790.

<sup>112</sup> Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Paris, *Monetary Policies Of The United States, 1932-1938* 42-80; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-492; Swerling, "Buffer Stocks And International Commodity Problems," 778-790.

<sup>113</sup> Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Paris, *Monetary Policies Of The United States, 1932-1938* 42-80; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-492.

<sup>114</sup> Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Paris, *Monetary Policies Of The United States, 1932-1938* 42-80; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-492.

<sup>115</sup> Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Paris, *Monetary Policies Of The United States, 1932-1938* 42-80; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-492; Swerling, "Buffer Stocks And International Commodity Problems," 778-790.

<sup>116</sup> Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Paris, *Monetary Policies Of The United States, 1932-1938* 42-80; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-492.

<sup>117</sup> Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Paris, *Monetary Policies Of The United States, 1932-1938* 42-80; Swerling, "Buffer Stocks And International Commodity Problems," 778-790.

<sup>118</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 15-137; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Paris, *Monetary Policies Of The United States, 1932-1938* 42-80; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-492; Swerling, "Buffer Stocks And International Commodity Problems," 778-790.

<sup>119</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 15-137; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-492; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Graham, "Money As A Pure Commodity," 304-307.

## CHAPTER FOUR: MONETARY POLICY AND THE COURTS

<sup>120</sup> Schlesinger, *The Age Of Roosevelt: The Coming Of The New Deal* 177-260; Arthur M. Schlesinger, Jr., *The Age Of Roosevelt: The Politics Of Upheaval* 447-496 (Boston: Houghton Mifflin Company, 1960); Edwin Vieira, Jr., *Pieces Of Eight: The Monetary Powers And Disabilities Of The United States Constitution, A Study In Constitutional Law* 148-159, 167-284 (Old Greenwich, CT: Sound Dollar Committee, 1983); Jean Edward Smith, *Grant* 506-508 (New York: Simon & Schuster, 2001).

<sup>121</sup> Schlesinger, *The Age Of Roosevelt: The Coming Of The New Deal* 1-23; Schlesinger, *The Age Of Roosevelt: The Politics Of Upheaval* 447-496; Merlo J. Pusey, 2 *Charles Evans Hughes* 731-748 (New York: Macmillan Co., 1951); Barry Cushman, *Rethinking The New Deal Court: The Structure Of A Constitutional Revolution* et al. (New York: Oxford University Press, 1998).

<sup>122</sup> Schlesinger, *The Age Of Roosevelt: The Politics Of Upheaval* 447-496; Arthur S. Miller, *Politics, Democracy, And The Supreme Court: Essays On The Frontier Of Constitutional Theory* 41, 98, 307-366 (West Port, Connecticut: Gleenwood Press, 1985). Pusey, 2 *Charles Evans Hughes* 731-748.

<sup>123</sup> *Booth v. U.S.* (1934), 291 U.S. 339; Pusey, 2 *Charles Evans Hughes* 731-748.

<sup>124</sup> *Lynch v. United States* (1934), 292 U.S. 571; *Panama Refining Co. v. Ryan* (1934), 293 U.S. 388; Schlesinger, *The Age Of Roosevelt: The Politics Of Upheaval* 274-277; Pusey, 2 *Charles Evans Hughes* 731-748.

<sup>125</sup> *R.R. Retirement Board v. Alton R.R. Co.*, (1935), 295 U.S. 330; Pusey, 2 *Charles Evans Hughes* 731-748.

<sup>126</sup> *U.S. v. Belcher*, (1935), 294 U.S. 736; Schlesinger, *The Age Of Roosevelt: The Coming Of The New Deal* 85-176; Schlesinger, *The Age Of Roosevelt: The Politics Of Upheaval* 212-235, 263-292; Pusey, 2 *Charles Evans Hughes* 731-748; Carl Brent Swisher, Ed., *Selected Papers Of Homer Cummings, Attorney General Of The United States, 1933-1939* 106-121 (New York: C. Scribner's Sons, 1939).

<sup>127</sup> *Schechter v. U.S.*, (1935), 295 U.S. 495; Schlesinger, *The Age Of Roosevelt: The Coming Of The New Deal* 85-176; Schlesinger, *The Age Of Roosevelt: The Politics Of Upheaval* 277-291, 472-487; Pusey, 2 *Charles Evans Hughes* 731-748; Swisher, *Selected Papers Of Homer Cummings* 106-121.

<sup>128</sup> *Local 167 v. U.S.*, (1934), 291 U.S. 293; *Louisville Joint Stock Land Bank v. Radford*, (1935), 295 U.S. 555; *Humphreys Executor v. U.S.*, (1935), 295 U.S. 602; Schlesinger, *The Age Of Roosevelt: The Coming Of The New Deal* 85-176; Schlesinger, *The Age Of Roosevelt: The Politics Of Upheaval* 303-304; Pusey, 2 *Charles Evans Hughes* 731-748; Swisher, *Selected Papers Of Homer Cummings* 106-121.

<sup>129</sup> *Hopkins Federal Savings and Loan Association v. Cleary*, (1936), 296 U.S. 315; Pusey, 2 *Charles Evans Hughes* 731-748; Swisher, *Selected Papers Of Homer Cummings* 106-121.

<sup>130</sup> *U.S. v. Butler*, (1936), 297 U.S. 1; Schlesinger, *The Age Of Roosevelt: The Coming Of The New Deal* 27-84; Schlesinger, *The Age Of Roosevelt: The Politics Of Upheaval* 201-214, 386, 470-505; Pusey, 2

*Charles Evans Hughes* 731-748; Swisher, *Selected Papers Of Homer Cummings* 106-121.

<sup>131</sup> *Kuehner v. Irving Trust Co.*, (1937), 299 U.S. 445; *U.S. v. Hudson*, (1937), 299 U.S. 498; *Kentucky Whip & Collar Co. v. Illinois Central R.R. Co.*, (1937), 229 U.S. 334; *U.S. v. Curtiss-Wright Export Co.*, (1937), 299 U.S. 304; Pusey, 2 *Charles Evans Hughes* 731-748; Swisher, *Selected Papers Of Homer Cummings* 106-121; Jean Edward Smith, *The Constitution And American Foreign Policy* 5-11 (St. Paul, MN: West Publishing Company, 1989).

<sup>132</sup> *Ashwander v. TVA*, (1937), 297 U.S. 288; Schlesinger, *The Age Of Roosevelt: The Coming Of The New Deal* 316-334; Schlesinger, *The Age Of Roosevelt: The Politics Of Upheaval* 362-386; 447-505; Pusey, 2 *Charles Evans Hughes* 731-748; Swisher, *Selected Papers Of Homer Cummings* 106-121; Smith, *Constitution And American Foreign Policy* 232-233.

<sup>133</sup> *Ashton v. Cameron Co. Water Dist.*, (1937), 298 U.S. 513; *Carter v. Carter Coal Co.*, (1937), 298 U.S. 238; Schlesinger, *The Age Of Roosevelt: The Politics Of Upheaval* 447-505; Pusey, 2 *Charles Evans Hughes* 731-748; Swisher, *Selected Papers Of Homer Cummings* 106-121; Smith, *Constitution And American Foreign Policy* 5-11.

<sup>134</sup> Schlesinger, *The Age Of Roosevelt: The Politics Of Upheaval* 484-496; Michael Nelson, "The President And The Court: Reinterpreting The Court-Packing Episode Of 1937," 103 *Political Science Quarterly* 267-293 (Summer, 1988); Pusey, 2 *Charles Evans Hughes* 731-748.

<sup>135</sup> Asher Isaacs and Reuben E. Slesinger, *Business, Government And Public Policy* 27-29 (Princeton, New Jersey: Van Nostrand, 1964); Lewis D. Solomon, *Rethinking Our Centralized Monetary System: The Case For A System Of Local Currencies*, 103-104 (Westport, Connecticut: Praeger, 1996); Gerald T. Dune, *Monetary Decisions Of The Supreme Court*, 89-102 (New Brunswick, New Jersey: Rutgers University Press, 1960); Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>136</sup> *Nortz v. United States*, (1935), 294 U.S. 317; Pusey, 2 *Charles Evans Hughes* 734-740; Isaacs and Slesinger, *Business, Government And Public Policy* 27-29; Swisher, *Selected Papers Of Homer Cummings* 106-121; Robert E. Cushman, "Constitutional Law In 1934-1935: The Constitutional Decisions Of The Supreme Court Of The United States In The October Term, 1934," 30 *American Political Science Review* 51-89 (Feb., 1936); Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>137</sup> *Nortz v. United States*, (1935), 294 U.S. 317; Pusey, 2 *Charles Evans Hughes* 734-740; Dune, *Monetary Decisions Of The Supreme Court*, 89-102; Swisher, *Selected Papers Of Homer Cummings* 106-121; Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>138</sup> *Nortz v. United States*, (1935), 294 U.S. 317; Pusey, 2 *Charles Evans Hughes* 734-740; Dune, *Monetary Decisions Of The Supreme Court*, 89-102; Swisher, *Selected Papers Of Homer Cummings* 106-121; Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>139</sup> *Norman v. Baltimore & Ohio Railroad Co.*, (1935), 294 U.S. 240; Pusey, 2 *Charles Evans Hughes* 734-740; Isaacs and Slesinger, *Business, Government And Public Policy* 27-29; Swisher, *Selected Papers Of Homer Cummings* 106-121; Barry Cushman, "Lost Fidelities," 41 *William And Mary Law Review* et al. (1999); Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>140</sup> *Norman v. Baltimore & Ohio Railroad Co.*, (1935), 294 U.S. 240; Pusey, 2 *Charles Evans Hughes* 734-740; Dune, *Monetary Decisions Of The Supreme Court*, 89-102; Swisher, *Selected Papers Of Homer Cummings* 106-121; Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>141</sup> *Norman v. Baltimore & Ohio Railroad Co.*, (1935), 294 U.S. 240; Pusey, 2 *Charles Evans Hughes* 734-740; Dune, *Monetary Decisions Of The Supreme Court*, 89-102; Swisher, *Selected Papers Of Homer Cummings* 106-121; Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>142</sup> *Perry v. United States*, (1935), 294 U.S. 330; "Perry v. United States (In Judicial Decisions; Supreme Court Of The United States)," 30 *American Journal Of International Law* 316-324 (Apr., 1936); Pusey, 2 *Charles Evans Hughes* 734-740; Isaacs and Slesinger, *Business, Government And Public Policy* 27-29; Swisher, *Selected Papers Of Homer Cummings* 106-121; Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>143</sup> *Perry v. United States*, (1935), 294 U.S. 330; "Perry v. United States" 316-324; Pusey, 2 *Charles Evans Hughes* 734-740; Dune, *Monetary Decisions Of The Supreme Court*, 89-102; Swisher, *Selected Papers Of Homer Cummings* 106-121; John R. Commons, Kenneth H. Parsons, and Selig Perlman, *The Economics Of Collective Action* 157-158 (New York: MacMillan Co., 1950; Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>144</sup> *Perry v. United States*, (1935), 294 U.S. 330; "Perry v. United States" 316-324; Pusey, 2 *Charles Evans*

*Hughes* 734-740; Dune, *Monetary Decisions Of The Supreme Court*, 89-102; Swisher, *Selected Papers Of Homer Cummings* 106-121; Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>145</sup> *Perry v. United States*, (1935), 294 U.S. 330; “Perry v. United States” 316-324; Pusey, 2 *Charles Evans Hughes* 734-740; Isaacs and Slesinger, *Business, Government And Public Policy* 27-29; Stone, *Public Control Of Business: Selected Opinions* 285-296; Swisher, *Selected Papers Of Homer Cummings* 106-121; Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>146</sup> *Perry v. United States*, (1935), 294 U.S. 330; “Perry v. United States” 316-324; Pusey, 2 *Charles Evans Hughes* 734-740; Isaacs and Slesinger, *Business, Government And Public Policy* 27-29; Swisher, *Selected Papers Of Homer Cummings* 106-121; Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>147</sup> *Perry v. United States*, (1935), 294 U.S. 330; “Perry v. United States” 316-324; Pusey, 2 *Charles Evans Hughes* 734-740; Isaacs and Slesinger, *Business, Government And Public Policy* 27-29; Swisher, *Selected Papers Of Homer Cummings* 106-121; Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>148</sup> *Perry v. United States*, (1935), 294 U.S. 330; “Perry v. United States” 316-324; Pusey, 2 *Charles Evans Hughes* 734-740; Isaacs and Slesinger, *Business, Government And Public Policy* 27-29; Swisher, *Selected Papers Of Homer Cummings* 106-121; Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>149</sup> *Perry v. United States*, (1935), 294 U.S. 330; “Perry v. United States” 316-324; Pusey, 2 *Charles Evans Hughes* 734-740; Isaacs and Slesinger, *Business, Government And Public Policy* 27-29; Swisher, *Selected Papers Of Homer Cummings* 106-121; Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>150</sup> *Perry v. United States*, (1935), 294 U.S. 330; “Perry v. United States” 316-324; Pusey, 2 *Charles Evans Hughes* 734-740; Harlan Fiske Stone, *Public Control Of Business: Selected Opinions* 285-296 (New York: Howell, Soskin & Co., 1940); Swisher, *Selected Papers Of Homer Cummings* 106-121; Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>151</sup> *Perry v. United States*, (1935), 294 U.S. 330; “Perry v. United States” 316-324; Pusey, 2 *Charles Evans Hughes* 734-740; Dune, *Monetary Decisions Of The Supreme Court*, 89-102; Stone, *Public Control Of Business: Selected Opinions* 285-296; Swisher, *Selected Papers Of Homer Cummings* 106-121; Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>152</sup> *Perry v. United States*, (1935), 294 U.S. 330; “Perry v. United States” 316-324; Pusey, 2 *Charles Evans Hughes* 734-740; Dune, *Monetary Decisions Of The Supreme Court*, 89-102; Swisher, *Selected Papers Of Homer Cummings* 106-121; Vieira, *Pieces Of Eight*, 148-159, 167-284.

<sup>153</sup> *Holyoke Water Co. v. American Writing Paper Co.*, (1936), 300 U.S. 324, 336; Dune, *Monetary Decisions Of The Supreme Court*, 89-102.

<sup>154</sup> *Holyoke Water Co. v. American Writing Paper Co.*, (1936), 300 U.S. 324, 336; Dune, *Monetary Decisions Of The Supreme Court*, 89-102.

<sup>155</sup> *Holyoke Water Co. v. American Writing Paper Co.*, (1936), 300 U.S. 324, 336; Dune, *Monetary Decisions Of The Supreme Court*, 89-102.

<sup>156</sup> *Smyth v. United States*, (1937), 302 U.S. 329, 360; Stone, *Public Control Of Business: Selected Opinions* 285-296.

<sup>157</sup> *Smyth v. United States*, (1937), 302 U.S. 329, 360; Stone, *Public Control Of Business: Selected Opinions* 285-296.

<sup>158</sup> *Smyth v. United States*, (1937), 302 U.S. 329, 360; Stone, *Public Control Of Business: Selected Opinions* 285-296.

<sup>159</sup> *Smyth v. United States*, (1937), 302 U.S. 329, 360; Stone, *Public Control Of Business: Selected Opinions* 285-296.

<sup>160</sup> *Guaranty Trust Co. v. Henwood*, (1939), 307 U.S. 247, 260; Stone, *Public Control Of Business: Selected Opinions* 285-296; F.A. Mann, *The Legal Aspect Of Money: With Special Reference To Comparative Private And Public International Law* 67 (Oxford: Oxford University Press, 1992).

<sup>161</sup> *Guaranty Trust Co. v. Henwood*, (1939), 307 U.S. 247, 260; Stone, *Public Control Of Business: Selected Opinions* 285-296.

<sup>162</sup> *United States v. Hudson*, (1937), 299 U.S. 498; Vieira, *Pieces Of Eight*, 283-289.

<sup>163</sup> Dune, *Monetary Decisions Of The Supreme Court*, 89-102.

<sup>164</sup> Schlesinger, *The Age Of Roosevelt: The Coming Of The New Deal* 1-23; Morris R. Cohen, *The Faith*

---

*Of A Liberal: Selected Essay's By Morris R. Cohen* 164 (New York: H. Holt and Company, 1946).

## CHAPTER FIVE: MONETARY POLICIES DURING WORLD WAR II AND ITS AFTERMATH

<sup>165</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 15-137, 621-632; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; Romer, "The Nation In Depression," 19-39; Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587.

<sup>166</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591.

<sup>167</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591.

<sup>168</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591.

<sup>169</sup> Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587.

<sup>170</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 567-591; Simeon E. Leland, "The Government, The Banks And The National Debt," 1 *Journal Of Finance* 5-26 (Aug., 1946); Marshall A. Robinson, "Federal Debt Management: Civil War, World War I, and World War II," 45 *American Economic Review* 388-401 (May, 1955).

<sup>171</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 102-104, 115-117, 155-159; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 493-545; Covey T. Oliver, "The Monetary Gold Decision In Perspective," 49 *American Journal Of International Law* 216-221 (Apr., 1955); Arthur Nussbaum, "International Monetary Agreements," 38 *American Journal Of International Law* 242-257 (Apr., 1944).

<sup>172</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 155-159; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; Arthur Nussbaum, "International Monetary Agreements," 242-257.

<sup>173</sup> Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-496, 698-700; Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Raymond F. Mikesell, "Gold Sales As An Anti-Inflationary Device," 28 *Review Of Economic Statistics* 105-108 (May, 1946); Oliver, "The Monetary Gold Decision In Perspective," 216-221; Arthur Nussbaum, "International Monetary Agreements," 242-257; Anthony Kubek, *How The Far East Was Lost: American Policy And The Creation Of Communist China, 1941-1949* 178-180 (Chicago: Henry Regnery Company, 1963).

<sup>174</sup> Mikesell, "Gold Sales As An Anti-Inflationary Device," 105-108; Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-496.

<sup>175</sup> Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 698-700; Mikesell, "Gold Sales As An Anti-Inflationary Device," 105-108; Oliver, "The Monetary Gold Decision In Perspective," 216-221; Arthur Nussbaum, "International Monetary Agreements," 242-257.

<sup>176</sup> Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-496, 698-700; Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 102-104, 138-205; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Leavens, "Bullion Prices And The Gold-Silver Ratio, 1929-1945" 160-164; Oliver, "The Monetary Gold Decision In Perspective," 216-221; Arthur Nussbaum, "International Monetary Agreements," 242-257; Kubek, *How The Far East Was Lost: American Policy And The Creation Of Communist China, 1941-1949* 178-180.

<sup>177</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 102-104, 115-117; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-496, 698-700; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Allan Seymour Everest, *Morgenthau, The*

*New Deal And Silver: A Story Of Pressure Politics* 135-167 (New York: King's Crown Press, Columbia University, 1950); Leavens, "Bullion Prices And The Gold-Silver Ratio, 1929-1945" 160-164; Arthur Nussbaum, "International Monetary Agreements," 242-257.

<sup>178</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 100-137; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-496, 698-700; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Everest, *Morgenthau, The New Deal And Silver* 135-167; Kenneth M. Wright, "Dollar Pooling In The Sterling Area, 1939-1952," 44 *American Economic Review* 559-576 (Sep., 1954); Arthur Nussbaum, "International Monetary Agreements," 242-257.

<sup>179</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 15-137; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-496, 698-700; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Everest, *Morgenthau, The New Deal And Silver* 135-167; Leavens, "Bullion Prices And The Gold-Silver Ratio, 1929-1945" 160-164; Arthur Nussbaum, "International Monetary Agreements," 242-257.

<sup>180</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 15-137; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 483-496, 698-700; Friedman, "Franklin D. Roosevelt, Silver, And China," 62-83; Everest, *Morgenthau, The New Deal And Silver* 135-167; Leavens, "Bullion Prices And The Gold-Silver Ratio, 1929-1945" 160-164; Arthur Nussbaum, "International Monetary Agreements," 242-257; Anthony Kubek, *How The Far East Was Lost: American Policy And The Creation Of Communist China, 1941-1949* 178-180.

<sup>181</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 138-205; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; J.R. Vernon, "World War II Fiscal Policies And The End Of The Great Depression," 54 *Journal Of Economic History* 850-868 (Dec., 1994); Romer, "The Nation In Depression," 19-39; Lawrence Summers and Alberto Alesina, "Central Bank Independence And Macroeconomic Performance: Some Comparative Evidence." 25 *Journal Of Money, Credit & Banking*, (Aug., 1993), 470-485; J. Bradford DeLong, *Post-World War II Western European Exceptionalism: The Economic Dimension* (Berkeley, California: University Of California Press, 1997), et al.

<sup>182</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; Vernon, "World War II Fiscal Policies And The End Of The Great Depression," 850-868; Robinson, "Federal Debt Management: Civil War, World War I, and World War II," 388-401; Robert J Barro, "Money and the Price Level Under the Gold Standard," 89 *Economic Journal* 13-33 (Mar., 1979).

<sup>183</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; Vernon, "World War II Fiscal Policies And The End Of The Great Depression," 850-868; Robinson, "Federal Debt Management: Civil War, World War I, and World War II," 388-401; Barro, "Money And The Price Level Under The Gold Standard," 13-33.

<sup>184</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 138-205; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 493-545; Romer, "The Nation In Depression," 19-39; Swerling, "Buffer Stocks And International Commodity Problems," 778-790.

<sup>185</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 15-137; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 493-545; Romer, "The Nation In Depression," 19-39; Swerling, "Buffer Stocks And International Commodity Problems," 778-790.

<sup>186</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 493-545; Romer, "The Nation In Depression," 19-39; Robinson, "Federal Debt Management: Civil War, World War I, and World War II," 388-401.

<sup>187</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 342-394; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 493-545, 698-700; Romer, "The Nation In Depression," 19-39; Swerling, "Buffer Stocks And International Commodity Problems," 778-790.

<sup>188</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 493-545; Romer, "The Nation

In Depression,” 19-39.

<sup>189</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 138-205; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591, 698-700; Romer, “The Nation In Depression,” 19-39.

<sup>190</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; Lester V. Chandler, “Federal Reserve Policy And The Federal Debt,” 39 *American Economic Review* 405-429 (Mar., 1949); Robinson, “Federal Debt Management: Civil War, World War I, and World War II,” 388-401.

<sup>191</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 493-545; Chandler, “Federal Reserve Policy And The Federal Debt,” 405-429; Robinson, “Federal Debt Management: Civil War, World War I, and World War II,” 388-401; Barro, “Money And The Price Level Under The Gold Standard,” 13-33.

<sup>192</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 205-341; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 493-545; Studenski, Paul and Krooss, Herman E. *Financial History Of The United States: Fiscal, Monetary, Banking, And Tariff, Including Financial Administration And State And Local Finance*, 436-458 (New York: Mcgraw-Hill Book Company, Inc., 1952); Robinson, “Federal Debt Management: Civil War, World War I, and World War II,” 388-401; Barro, “Money And The Price Level Under The Gold Standard,” 13-33.

<sup>193</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 138-205; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 493-545; Studenski and Krooss. *Financial History Of The United States*, 436-458; Barro, “Money And The Price Level Under The Gold Standard,” 13-33.

<sup>194</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 138-205; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; Studenski and Krooss. *Financial History Of The United States*, 436-458; Barro, “Money And The Price Level Under The Gold Standard,” 13-33.

<sup>195</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 138-205; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; Studenski and Krooss. *Financial History Of The United States*, 436-458.

<sup>196</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 155-159; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; Studenski and Krooss. *Financial History Of The United States*, 436-458.

<sup>197</sup> Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 420-492; Studenski and Krooss. *Financial History Of The United States*, 436-458.

<sup>198</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 395-476; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; Robinson, “Federal Debt Management: Civil War, World War I, and World War II,” 388-401.

<sup>199</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 138-205; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; Tynan Smith and Raymond E. Hengren, “Bank Capital: The Problem Restated,” 55 *Journal Of Political Economy* 553-566 (Dec., 1947).

<sup>200</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; Smith and Hengren, “Bank Capital: The Problem Restated,” 553-556.

<sup>201</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; Smith and Hengren, “Bank Capital: The Problem Restated,” 553-556.

<sup>202</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Smith and Hengren, “Bank Capital: The Problem Restated,” 553-556.

<sup>203</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; Smith and Hengren,

---

“Bank Capital: The Problem Restated,” 553-556.

<sup>204</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 477-587; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 546-591; Leland, “The Government, The Banks And The National Debt,” 5-26; Robinson, “Federal Debt Management: Civil War, World War I, and World War II,” 388-401.

## CONCLUSION

<sup>205</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 15-137, 621-632; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 676-700; Schlesinger, *The Age Of Roosevelt: The Coming Of The New Deal* 3-23; Leuchtenburg, *Franklin D. Roosevelt and the New Deal 1932-1940* 1-40.

<sup>206</sup> Friedman & Schwartz, *Monetary Trends In The United States And The United Kingdom* 15-137, 621-632; Friedman & Schwartz, *A Monetary History Of The United States, 1867-1960* 676-700; Schlesinger, *The Age Of Roosevelt: The Coming Of The New Deal* 3-23; Leuchtenburg, *Franklin D. Roosevelt and the New Deal 1932-1940* 1-40.

<sup>207</sup> Jean Edward Smith, *John Marshall: Definer Of A Nation* (New York: Henry Holt And Company, 1996), et al.; Vieira, *Pieces Of Eight*, et al.

---

## *Bibliography*

### OFFICIAL PUBLICATIONS

- A Brief History Of Deposit Insurance In The United States*. Washington, D.C.: Prepared For The International Conference On Deposit Insurance, FDIC, Sep., 1998.
- Federal Reserve System, Board Of Governors, *Annual Reports*. 1933-1938.
- Green, Timothy. *Central Bank Gold Reserves: An Historical Perspective Since 1845*. London: World Gold Council, November 1999.
- Mills, Frederick C. *Prices In Recession And Recovery: A Survey Of Recent Changes*. New York: National Bureau Of Economic Research, Inc., 1936.
- O'Hardy, Charles. *Is There Enough Gold?* Washington D.C.: The Brookings Institution, 1936.
- Reconstruction Finance Corporation, *Public Advertisement Regarding Notes Of The Reconstruction Finance Corporation, Series Of February 1, 1934*. Circular no. 12 Oct. 26, 1933.
- Robertson, Ross M. *The Comptroller And Bank Supervision: A Historical Appraisal*. Washington, D.C.: The Office of the Comptroller of the Currency, 1968.
- The Constitution Of The United States*. National Archives And Records Administration. <http://www.nara.gov/exhall/charters/constitution/conmain.html>.
- The Statutes At Large Of The United States Of America*. Et al. Washington, D.C. United States Government Printing Office.
- United States, Board Of Governors Of The Federal Reserve System, *All Bank Statistics, United States, 1896-1955*. Washington, D.C.: Government Printing Office, 1959.
- United States, Congress, House, Committee On Banking and Currency. *Hearings: Branch, Chain And Group Banking*. Under H. Res. 141. 71<sup>st</sup> Cong., 2d Sess., 1930.
- , *Report On Banking Act Of 1933*, to accompany H.R. 5661. 73<sup>rd</sup> Cong., 1<sup>st</sup> Sess., 1933.
- United States, Congress, Senate, Committee On Banking and Currency. *Hearings: Amendments To The Federal Reserve Act*. On S. 4454 and S. 4550. 72<sup>nd</sup> Cong., 2d Sess., 1933.

---

-----, *Hearings: Stock Exchange Practices*. On S. Res. 84. 72<sup>nd</sup> Cong., 2d Sess., 1932-1933; 73<sup>rd</sup> Cong., 1<sup>st</sup> Sess., 1933.

United States Treasury Department. Comptroller Of The Currency: *Annual Reports*, 1933-1938.

### BOOKS

Badger, Anthony J. *The New Deal: The depression Years 1933-1940*. New York: Farrar, Straus, and Giroux, Inc., 1989.

Biles, Roger. *A New Deal For the American People*. Dekalb, Illinois: Northern Illinois University Press, 1991.

Braeman, John, Bremner, Robert, and Brody, David. *The New Deal: The National Level*. Columbus, Ohio: Ohio State University Press, 1975.

-----, *The New Deal At The State And Local Level*. Columbus, Ohio: Ohio State University Press, 1975.

Conkin, Paul K. *The New Deal*. New York: Thomas Y. Crowell Company, Inc., 1975.

Cohen, Morris R. *The Faith Of A Liberal: Selected Essays By Morris R. Cohen*. New York: H. Holt and Company, 1946.

Commons, John R., Parsons, Kenneth H., and Perlman, Selig. *The Economics Of Collective Action*. New York: Macmillan Co., 1950.

Cushman, Barry. *Rethinking The New Deal Court: The Structure Of A Constitutional Revolution*. New York: Oxford University Press, 1998.

Davis, Kenneth S. *FDR: The New Deal Years 1933-1937, A History*. New York: Random House, 1983.

Day, Donald. *Franklin D. Roosevelt's Own Story*. Boston: Little, Brown and Company, 1951.

DeLong, J. Bradford. *Post-World War II Western European Exceptionalism: The Economic Dimension*. Berkeley, California: University Of California Press, 1997.

Donald, David Herbert. *Lincoln*. New York: Simon & Schuster, Inc., 1995.

Downes, John and Goodman, Jordan Elliot. *Dictionary Of Finance And Investment Terms*. New York: Baron's Educational Series, Inc., 2003.

Dunne, Gerald T. *Monetary Decisions Of The Supreme Court*. New Brunswick, New

- 
- Jersey: Rutgers University Press, 1960.
- Everest, Allan Seymour. *Morgenthau The New Deal And Silver: The Story Of Pressure Politics*. New York: King's Crown Press, Columbia University, 1950.
- Freedman, Max. *Roosevelt And Frankfurter: Their Correspondence, 1928-1945*. Boston: Little, Brown, and Company, 1967.
- Friedman, Milton and Schwartz, Anna Jacobson. *A Monetary History Of The United States, 1867-1960*. Princeton, New Jersey: Princeton University Press, 1963.
- , *Monetary Trends In The United States And The United Kingdom: Their Relation To Income, Prices, And Interest Rates, 1867-1975*. Chicago: University Of Chicago Press, 1982.
- Gathorne-Hardy, G.M. *A Short History Of International Affairs 1920 To 1934*. London: Oxford University Press, 1934.
- Halasz, Nicholas. *Roosevelt Through Foreign Eyes*. Princeton, New Jersey: D. Van Nostrand Company, Inc., 1968.
- Hatch, Alden P. *Citizen Of The World Franklin D. Roosevelt*. London: Skefington & Son, LTD, 1955.
- Isaacs, Asher and Slesinger, Reuben E.. *Business, Government And Public Policy*. Princeton, New Jersey: Van Nostrand, 1964.
- Johnson, Gerald W. *Roosevelt: An American Study*. London: Hamish Hamilton, 1942.
- , *Roosevelt: Dictator Or Democrat*. New York: Harper & Brothers Publishers, 1941.
- Keirnan, R.H. *President Roosevelt*. London: George G. Harrap & Company, LTD, 1948.
- Kennedy, Susan Estabrook. *The Banking Crisis Of 1933*. Lexington, Kentucky: University Press of Kentucky, 1973.
- Krooss, Herman E., editor. *Documentary History Of Banking And Currency In The United States*. 4 vols. New York: Chelsea House Publishers, 1969.
- Kubek, Anthony. *How The Far East Was Lost: American Policy And The Creation Of Communist China, 1941-1949*. Chicago: Henry Regnery Company, 1963.
- Lester, Richard A. *Monetary Experiments: Early American And Recent Scandinavian*. Princeton, New Jersey: Princeton University Press, 1939.
- Leuchtenburg, William E. *Franklin D. Roosevelt And The New Deal*. New York: Harper

- 
- & Row, 1963.
- . *Franklin D. Roosevelt A Profile*. New York: Hill and Way, 1967.
- Leuchtenburg, William E., Droze, William H., and Wolfshire, George. *Essays On The New Deal*. Austin, Texas: University of Texas Press, 1969.
- Ludwig, Emil. *Roosevelt: A Study In Fortune And Power*. New York: MacFadden Publications, Inc., 1938.
- Mackenzie, Compton. *Mr. Roosevelt*. London: George C. Harrap & Co., LTD, 1943.
- Mann, F.A. *The Legal Aspect Of Money: With Special Reference To Comparative Private And Public International Law*. Oxford: Oxford University Press, 1992.
- Merriam Webster's Geographical Dictionary*. Springfield, Massachusetts: Merriam-Webster, 1997.
- Miller, Arthur S. *Politics, Democracy, And The Supreme Court: Essays On The Frontier Of Constitutional Theory*. Westport, Connecticut: Greenwood Press, 1985.
- O'Brien, P.T. *Forward With Roosevelt*. Chicago: The John C. Winston Company, 1936.
- O'Connor, J.F.T. *The Banking Crisis And Recovery Under The Roosevelt Administration*. Chicago: Callaghan and Company, 1938.
- Paris, James Daniel. *Monetary Policies Of The United States, 1932-1938*. New York: Columbia University Press, 1938.
- Patrick, John J., Pious, Richard M., and Ritchie, Donald A. *The Oxford Essential Guide To The U.S. Government*. New York: Oxford University Press, 2000.
- Perkins, Frances. *The Roosevelt I Knew*. New York: Viking Press, 1946.
- Pusey, Merlo J. *Charles Evans Hughes*. 2 vols. New York: Macmillan Co., 1951.
- Roosevelt, Elliot, with a forward by Elanor Roosevelt. *Roosevelt As He Saw It*. West Port, Connecticut: Greenwood Press Publishers, 1974.
- Roosevelt, Elliot, editor. Forward by Elanor Roosevelt. *F.D.R.: His Personal Letters, 1928-1945*. 3 vols. New York: Duell, Sloan and Pearce, 1950.
- Roosevelt, Elliot and Brough, James. *A Rendezvous With Destiny: The Roosevelts Of The White House*. New York: G.P. Putnam's Sons, 1975.
- Roosevelt, Franklin D. *The Public Papers And Addresses Of Franklin D. Roosevelt*. 12

- 
- vols. New York: Random House, 1938.
- Roseneau, James N., *The Roosevelt Treasury*. Garden City, New York: Double Day & Company, Inc., 1951.
- Rosenman, Samuel I. *Working With Roosevelt*. New York: Harper & Brothers Publishers, 1952.
- Editor. *The Public Papers And Addresses Of Franklin D. Roosevelt*. 15 vols. New York: Random House, 1960.
- Sayers, R.S. *The Bank Of England, 1891-1944*. 3 vols. Cambridge: Cambridge University Press, 1976.
- Schlesinger, Arthur M., J.R. *The Age Of Roosevelt: The Coming Of The New Deal*. Boston: Houghton Mifflin Company, 1959.
- *The Age Of Roosevelt: The Crisis Of The Old Order, 1919-1933*. Boston: Houghton Mifflin Company, 1957.
- *The Age Of Roosevelt: The Politics Of Upheaval*. Boston: Houghton Mifflin Company, 1960.
- Schubert, Aurel. *The Credit-Anstalt Crisis Of 1931*. New York: Cambridge University Press, 1991.
- Schwarz, Jordan. *The New Dealers: Power Politics In The Age Of Roosevelt*. New York: Alfred A. Knopf, Inc. 1993.
- Shultz, William J. *Financial Development Of The United States*. New York: Prentice-Hall, Inc., 1937.
- Smith, Adam. *An Inquiry Into The Nature And Causes Of The Wealth Of Nations*. New York: Random House Inc., 1994.
- Smith, Jean Edward. *Grant*. New York: Simon and Schuster, 2001.
- *John Marshall: Definer Of A Nation*. New York: Henry Holt And Company, 1996.
- *The Constitution And American Foreign Policy*. St. Paul, Minnesota: West Publishing Company, 1989.
- *Germany Beyond The Wall: People, Politics, And Prosperity*. Boston: Little, Brown And Company, 1969.
- *The Defense Of Berlin*. Baltimore: John's Hopkins Press, 1963.

- 
- , *Lucius D. Clay: An American Life*. New York: Henry Holt And Company, 1990.
- , *The Papers Of Lucius D. Clay: Germany 1945-1949*. 2 Vols. Bloomington, IN: Indiana University Press, 1974.
- Smith, Jean Edward and Levine, Herbert M. *The Conduct Of American Foreign Policy Debated*. New York: McGraw-Hill Publishing Company, 1990.
- , *Civil Rights And Civil Liberties Debated*. Englewood Cliffs, New Jersey: Prentice Hall, 1988.
- Solomon, Lewis D. *Rethinking Our Centralized Monetary System: The Case For A System Of Local Currencies*. Westport, Connecticut: Praeger, 1996.
- Sternsher, Bernard. *Rexford Tugwell And The New Deal*. New Brunswick, New Jersey: Rutgers University Press, 1964.
- Stone, Harlan Fiske. *Public Control Of Business*. New York: Howell, Soskin & Company, 1940.
- Studenski, Paul and Krooss, Herman E. *Financial History Of The United States: Fiscal, Monetary, Banking, And Tariff, Including Financial Administration And State And Local Finance*. New York: Mcgraw-Hill Book Company, Inc., 1952.
- Swisher, Carl Brent. Ed. *Selected Papers Of Homer Cummings, Attorney General Of The United States, 1933-1939*. 2 vols. New York: C. Scribner's Sons, 1939.
- The Secret Diary Of Harold L. Ickes: The First Thousand Days, 1933-1936*. 3 vols. New York: Simon & Schuster, 1953.
- Tugwell, Rexford G. *In Search Of Roosevelt*. Cambridge, Massachusetts: Harvard University Press, 1972.
- Tully, Grace. *F.D.R. My Boss*. New York: Charles Scribner's Sons, 1949.
- Turner, Robert C. *Member-Bank Borrowing*. Columbus, Ohio: Ohio State University Press, 1938.
- Vieira, Edwin Jr. *Pieces Of Eight: The Monetary Powers And Disabilities Of The United States Constitution, A Study In Constitutional Law*. Old Greenwich, Connecticut: Sound Dollar Committee, 1983.
- Wallich, Henry Christopher. *Monetary Problems Of An Export Economy: The Cuban Experience, 1914-1947*. Cambridge, Massachusetts: Harvard University Press, 1960.

---

Warren, George Frederick, Pearson, Frank A., And Ashmore, Frank. *Prices*. New York: J. Wiley & Sons, 1933.

Weingast, David E. *Franklin D. Roosevelt Man Of Destiny*. New York: Julian Messner, Inc., 1952.

### ARTICLES

Allen, Michael Patrick. "Capitalist Response To State Intervention: Theories Of The State And Political Finance In The New Deal." *American Sociological Review*, vol. 56, no. 5 (Oct., 1991), pp. 679-689.

Angell, James W. "Gold, Banks, And The New Deal." *Political Science Quarterly*, vol. 49, no. 4 (Dec., 1934), pp. 481-505.

Barger, Harold. "The Banks And The Stock Market." *Journal Of Political Economy*, vol. 43, no. 6 (Dec., 1935), pp. 763-777.

Barro, Robert J. "Money And The Price Level Under The Gold Standard." *Economic Journal*, vol. 89, no. 353 (Mar., 1979), pp. 13-33.

Beale, W.T.M., Kennedy, M.T., Winn, W.J. "Commodity Reserve Currency: A Critique." *Journal Of Political Economy*, vol. 50, no. 4 (Aug., 1942), pp. 579-594.

Beckhart, Benjamin H. "Monetary Policy And Commercial Bank Portfolios." *American Economic Review*, vol. 30, no. 1 (Mar., 1940), pp. 17-26.

----- "The Bretton Woods Proposal For An International Monetary Fund." *Political Science Quarterly*, vol. 59, no. 4 (Dec., 1944), pp. 489-528.

Benston, George J. "Universal Banking." *Journal Of Economic Perspectives*, vol. 8, no. 3 (Summer, 1994), pp. 121-143.

----- "Discussion Of The Hunt Commission Report Comment." *Journal Of Money, Credit And Banking*, vol. 4, no. 4 (Nov., 1972), pp. 985-989.

Bernanke, Ben S. "Nonmonetary Effects Of The Financial Crisis In The Propagation Of The Great Depression." *American Economic Review*, vol. 73, no. 3 (Jun., 1983), pp. 257-276.

----- "The Macroeconomics Of The Great Depression: A Comparative Approach." *Journal Of Money, Credit, And Banking*, vol. 27, no. 1 (Feb., 1995), pp. 1-28.

Bernanke, Ben S. and Carey, Kevin. "Nominal Wage Stickiness And Aggregate Supply In The Great Depression." *Quarterly Journal Of Economics*, vol. 3, no. 3 (Aug.,

- 
- 1996), pp. 853-883.
- Bernstein, E.M. "A Practical International Monetary Policy." *American Economic Review*, vol. 34, no. 4 (Dec., 1944), pp. 771-784.
- Berridge, William A. "Some Facts Bearing On The Silver Program." *Review Of Economic Statistics*, vol. 16, no. 11 (Nov. 15, 1934), pp. 231-236.
- Boczar, Gregory C. "Market Characteristics And Market Bank Holding Company Acquisitions." *Journal Of Finance*, vol. 32, no. 1 (Mar. 1977), pp. 131-146.
- Bogen, Jules I. "Changed Conditions In The Marketing Of New Issues." *Journal Of The American Statistical Association*, vol. 33, no. 201 (Mar. 1938), pp. 31-41.
- Bopp, Karl R. "Central Banking At The Crossroads." *American Economic Review*, vol. 34, no. 1 (Mar., 1944), pp. 260-277.
- Bordo, Michael D. and Redish, Angela. "Why Did The Bank Of Canada Emerge In 1935?" *Journal Of Economic History*, vol. 47, no. 2 (Jun., 1987), pp. 405-417.
- Boughton, James M. and Wicker, Elmus R. "The Behavior Of The Currency-Deposit Ratio During The Great Depression." *Journal Of Money, Credit And Banking*, vol. 11, no. 4 (Nov., 1979), pp. 405-418.
- Bradford, Frederick A. "Social Aspects Of Commercial Banking Theory." *American Economic Review*, vol. 23, no. 2 (Jun., 1933), pp. 217-233.
- "The Banking Act Of 1935." *American Economic Review*, vol. 25, no. 4 (Dec., 1935), pp. 661-672.
- Bratter, Herbert M. "The Silver Episode." *Journal Of Political Economy*, vol. 46, no. 5 (Oct., 1938), pp. 609-652.
- "The Silver Episode II." *Journal Of Political Economy*, vol. 46, no. 6 (Dec., 1938), pp. 802-837.
- Brown, William Adams, J.R. "Comments On Gold And The Monetary System." *American Economic Review*, vol. 30, no. 5 (Feb., 1941), pp. 38-51.
- "Gold As A Monetary Standard, 1914-1919." *Journal Of Economic History*, vol. 9 (1949), pp. 39-49.
- Buenger, Walter L. "Between The Community And Corporation: The Southern Roots Of Jesse H. Jones, The Reconstruction Finance Corporation." *Journal Of Southern History*, vol. 56, no. 3 (Aug., 1990), pp. 481-510.

- 
- Bullock, C.J. "Devaluation." *Review Of Economic Statistics*, vol. 16, no. 2 (Feb. 15, 1934), pp. 41-44.
- Calomiris, Charles W. and Kahn, Charles M. "The Efficiency Of Self-Regulated Payments Systems: Learning From The Suffolk System." *Journal Of Money, Credit And Banking*, vol. 28, no. 4 (Nov., 1996), pp. 766-797.
- Cannan, Edwin, "The Future Of Gold In Relation To Demand." *Economic Journal*, vol. 44, no. 174 (Jun., 1934), pp. 177-187.
- Chamberlain, Lawrence H. "The President, Congress, And Legislation." *Political Science Quarterly*, vol. 61, no. 1 (Mar., 1946), pp. 42-60.
- Chandler, Lester V. "Federal Reserve Policy And The Federal Debt." *American Economic Review*, vol. 39, no. 2 (Mar., 1949), pp. 405-429.
- Chase, Samuel B., J.R. "Household Demand For Savings Deposits." *Journal Of Finance*, vol. 24, no. 4 (Sep., 1969), pp. 643-658.
- Condliffe, J.B. "Exchange Stabilization And International Trade." *Review Of Economic Statistics*, vol. 26, no. 4 (Nov., 1944), pp. 166-169.
- Costigliola, Frank C. "The Other Side Of Isolationism: The Establishment Of The First World Bank, 1929-1930." *Journal Of American History*, vol. 59, no. 3 (Dec., 1972), pp. 602-620.
- Cox, Albert H., J.R. "Regulation Of Interest On Deposits: An Historical Review." *Journal Of Finance*, vol. 22, no. 2 (May, 1967), pp. 274-276.
- "Anglo-American Financial Rivalry In The 1920's." *Journal Of Economic History*, vol. 37, no. 4 (Dec., 1977), pp. 911-934.
- Cross, Ira B. "A Note On The Use Of The Word 'Currency'." *Journal Of Political Economy*, vol. 52, no. 4 (Dec., 1944), pp. 362-363.
- Crum, W.L. "The Course Of Commodity Prices." *Review Of Economic Statistics*, vol. 16, no. 10 (Oct. 15, 1934), pp. 207-212.
- Currie, Lauchlin. "The Supply And Control Of Money: A Reply To Dr. B.M. Anderson, J.R." *Quarterly Journal Of Economics*, vol. 49, no. 4 (Aug., 1935), pp. 694-704.
- Cushman, Barry. "Lost Fidelities." *William And Mary Law Review*, vol. 41, no. 1, pp. 1-22.
- Cushman, Robert E. "Constitutional Law In 1934-1935: The Constitutional Decisions Of The Supreme Court Of The United States In The October Term, 1934." *American*

- 
- Political Science Review*, vol. 30, no. 1 (Feb., 1936), pp. 51-59.
- Dillard, Dudley. "The Pragmatic Basis Of Keynes's Political Economy." *Journal Of Economic History*, vol. 6, no. 2 (Nov., 1946), pp. 121-152.
- Dwyer, Gerald P., J.R. "The Effects Of The Banking Acts Of 1933 And 1935 On Capital Investment In Commercial Banking." *Journal Of Money, Credit And Banking*, vol. 13, no. 2 (May, 1981), pp. 192-204.
- Edwards, George W. "The Myth Of The Security Affiliate." *Journal Of The American Statistical Association*, vol. 37, no. 218 (Jun., 1942), pp. 245-232.
- "Liquidity And Solvency Of National Banks, 1923-1933." *Journal Of Business Of The University Of Chicago*, vol. 7, no. 2 (Apr., 1934), pp. 161-172.
- Ellis, Howard S. "The Problem Of Exchange Systems In The Postwar World." *American Economic Review*, vol. 32, no. 1 (Mar., 1942), pp. 195-205.
- "Can National And International Monetary Policies Be Reconciled?" *American Economic Review*, vol. 34, no. 1 (Mar., 1944), pp. 385-395.
- Emerson, Guy. "Guaranty Of Deposits Under The Banking Act Of 1933." *Quarterly Journal Of Economics*, vol. 48, no. 2 (Feb., 1934), pp. 229-234.
- Englund, Eric. "Gustav Cassel's Autobiography." *Quarterly Journal Of Economics*, vol. 57, no. 3 (May, 1943), pp. 466-493.
- Epstein, Gerald and Ferguson, Thomas. "Monetary Policy, Loan Liquidation, And Industrial Conflict: The Federal Reserve And The Open Market Operations Of 1932." *Journal Of Economic History*, vol. 44, no. 4 (Dec., 1984), pp. 957-983.
- Field, Alexander James. "Uncontrolled Land Development And The Duration Of The Depression In The United States." *Journal Of Economic History*, vol. 52, no. 4 (Dec., 1992), pp. 785-805.
- Fellner, William. "The Commercial Policy Implications Of The Fund And Bank." *American Economic Review*, vol. 35, no. 2 (May, 1945), pp. 262-271.
- Ferderer, J. Peter and Zelewski, David A. "Uncertainty As A Propagating Force In The Great Depression." *Journal Of Economic History*, vol. 54, no. 4 (Dec., 1994), pp. 825-849.
- Ferguson, Thomas. "From Normalcy To New Deal: Industrial Structure, Party Competition, And American Public Policy In The Great Depression." *International Organization*, vol. 38, no. 1 (Winter, 1984), pp. 41-94.

- 
- Flannery, Mark J. and Sorescu, Sorin M. "Evidence Of Bank Market Discipline In Subordinated Debenture Yields: 1983-1991." *Journal Of Finance*, vol. 51, no. 4 (Sep., 1996), pp. 1347-1377.
- Fleming, D.F. "Responsibility For The Second Great War." *Journal Of Politics*, vol. 2, no. 3 (Aug., 1940), pp. 278-294.
- Fortune, Peter. "The Effectiveness Of Recent Policies To Maintain Thrift-Deposit Flows." *Journal Of Money, Credit And Banking*, vol. 7, no. 3 (Aug., 1975), pp. 297-315.
- Fox, Bertrand. "Gold Prices And Exchange Rates." *Review Of Economic Statistics*, vol. 17, no. 5 (Aug., 1935), pp. 72-78.
- Fox, Mortimer J., J.R. "Deposit Insurance As An Influence For Stabilizing The Bank Structure." *Journal Of The American Statistical Association*, vol. 31, no. 193 (Mar., 1936), pp. 103-112.
- Frieden, Jeff. "Sectoral Conflict And Foreign Economic Policy, 1914-1940." *International Organization*, vol. 42, no. 1 (Winter, 1988), pp. 59-90.
- Friedman, Milton. "Monetary Policy: Theory And Practice." *Journal Of Money, Credit And Banking*, vol. 14, no. 1 (Feb., 1982), pp. 98-118.
- "Commodity-Reserve Currency." *Journal Of Political Economy*, vol. 59, no. 3 (Jun., 1951), pp. 203-232.
- "Bimetallism Revisited." *Journal Of Economic Perspectives*, vol. 4, no. 4 (Autumn, 1990), pp. 85-104.
- "Franklin D. Roosevelt, Silver, And China." *Journal Of Political Economy*, vol. 100, no. 1 (Feb., 1992), pp. 62-83.
- Froman, Lewis A. "Bimetallism: Reconsidered In The Light Of Recent Developments." vol. 26, no. 1 (Mar., 1936), pp. 53-61.
- Gande, Amar, Puri, Manju, Saunders, Anthony, and Walter, Ingo. "Bank Underwriting Of Debt Securities: Modern Evidence." *Review Of Financial Studies*, vol. 10, no. 4 (Winter, 1997), pp. 1175-1202.
- Gayer, A.D. "The Banking Act Of 1935." *Quarterly Journal Of Economics*, vol. 50, no. 1 (Nov., 1935), pp. 97-116.
- "Proposed Amendment Of The Federal Reserve Act Of The United States: The Administrative Banking Bill Of 1935." *Economic Journal*, vol. 45, no. 78 (Jun., 1935), pp. 286-295.

- 
- Gendreau, Brian C. "Banker's Balances, Demand Deposit Interest, And Agricultural Credit Before The Banking Act Of 1933." *Journal Of Money, Credit And Banking*, vol. 11, no. 4 (Nov., 1979), pp. 506-514.
- "The Implicit Return On Banker's Balances." *Journal Of Money, Credit And Banking*, vol. 15, no. 4 (Nov., 1983), pp. 411-424.
- "German Exchange Control, 1931-1939: From An Emergency Measure To A Totalitarian Institution." *Quarterly Journal Of Economics*, vol. 54, no. 4, Part 2 (Aug., 1940), pp. 1-158.
- Geyer, Micheal and Bright, Charles. "World History In A Global Age." *American Historical Review*, vol. 100, no. 4 (Oct., 1995), pp. 1034-1060.
- Gideonse, Harry D. "Money And Finance." *American Journal Of Sociology*, vol. 39, no. 6 (May, 1934), pp. 749-758.
- Gilbert, J.C. "The Present Position Of The Theory Of International Trade." *Review Of Economic Studies*, vol. 3, no. 1 (Oct., 1935), pp. 18-34.
- "The Mechanism Of Interregional Redistributions Of Money." *Review Of Economic Studies*, vol. 5, no. 3 (Jun., 1938), pp. 187-194.
- Glenday, R.G. "Business Forecasting: A Quantitative Investigation Of The Influence Of Money On Trade Development." *Journal Of The Royal Statistical Society*, vol. 95, no. 1 (1932), pp. 1-75.
- Goff, Brian L. and Toma, Mark. "Optimal Seigniorage, The Gold Standard, And Central Bank Financing." *Journal Of Money, Credit And Banking*, vol. 25, no. 1 (Feb., 1993), pp. 79-95.
- Goldenweiser, E.A. "Pritchard On The Federal Reserve Bank Note: Comment." *Journal Of Political Economy*, vol. 55, no. 4 (Aug., 1947), pp. 359-360.
- "Federal Reserve Objectives And Policies In Retrospect And Prospect." *American Economic Review*, vol. 37, no. 3 (Jun., 1947), pp. 320-338.
- "Significance Of The Lending Function Of The Federal Reserve Banks." *Journal Of The American Statistical Association*, vol. 31, no. 193 (Mar., 1936), pp. 95-102.
- Golembe, Carter H. "The Deposit Insurance Legislation Of 1933: An Examination Of Its Antecedents And Its Purposes." *Political Science Quarterly*, vol. 75, no. 2 (Jun., 1960), pp. 181-200.
- Gordon, R.A. "Financial Control Of Large-Scale Enterprise." *American Economic*

- 
- Review*, vol. 29, no. 1 (Mar., 1939), pp. 85-99.
- Graham, Benjamin. "Money As A Pure Commodity." *American Economic Review*, vol. 37, no. 2 (May, 1947), pp. 304-307.
- Graham, Frank D. "Achilles Heels In Monetary Standards." *American Economic Review*, vol. 30, no. 1 (1940), pp. 16-32.
- Graham, Frank D. and Whittlesey, Charles R. "Fluctuating Exchange Rates, Foreign Trade And The Price Level." *American Economic Review*, vol. 24, no. 3 (Sep., 1934), pp. 401-416.
- Gramm, William P. "The Real Balance Effect In The Great Depression." *Journal Of Economic History*, vol. 32, no. 2 (Jun., 1972), pp. 499-519.
- Graue, Erwin. "Forecasts Of The General Price Level In Retrospect, 1919-1931." *American Economic Review*, vol. 24, no. 2 (Jun., 1934), pp. 250-265.
- Grossman, Richard S. "Deposit Insurance, Regulation, And Moral Hazard In The Thrift Industry: Evidence From The 1930's." *American Economic Review*, vol. 82, no. 4 (Sep., 1992), pp. 800-821.
- Haggard, Stephan. "The Institutional Foundations Of Hegemony: Explaining The Reciprocal Trade Agreements Act Of 1934." *International Organization*, vol. 42, no. 1 (Winter, 1988), pp. 91-119.
- Hansen, Alvin H. "Mr. Keynes On Underemployment Equilibrium." *Journal Of Political Economy*, vol. 44, no. 5 (Oct., 1936), pp. 667-686.
- "The Situation Of Gold Today In Relation To World Currencies." *American Economic Review*, vol. 27, no. 1 (Mar., 1937), pp. 130-140.
- "A General View Of The Institutional Effects Of The War." *American Economic Review*, vol. 32, no. 1 (Mar., 1942), pp. 351-359.
- Harris, S.E. "The Economic Legislation Of The 73<sup>rd</sup> Congress (1<sup>st</sup> Session), 1933." *Economic Journal*, vol. 43, no. 72 (Dec., 1933), pp. 619-651.
- "A Year Of Banking And Monetary Policy." *Review Of Economic Statistics*, vol. 16, no. 4 (April 15, 1934), pp. 72-79.
- "Commodity Prices And Public Expenditures." *Review Of Economic Statistics*, vol. 17, no. 2 (Feb. 15, 1935), pp. 39-44.
- "The Commercial Theory Of Credit." *Journal Of Political Economy*, vol. 44, no. 1 (Feb., 1936), pp. 94-105.

- 
- Hartland, Penelope. "Interregional Payments Compared With International Payments." *Quarterly Journal Of Economics*, vol. 63, no. 3 (Aug., 1949), pp. 392-407.
- Hawtrey, R.G. "The Gold Standard And The Balance Of Payments." *Economic Journal*, vol. 36, no. 141 (Mar., 1926), pp. 50-68.
- Hayek, F.A. "A Commodity Reserve Currency." *Economic Journal*, vol. 53, no. 210-211 (Jun.-Sep., 1943), pp. 176-184.
- Heilperin, Michael A. "Economic Of Banking Reform." *Political Science Quarterly*, vol. 50, no. 3 (Sep., 1933), pp. 359-376.
- Herring, E. Pendleton. "Second Session Of The 73<sup>rd</sup> Congress, January 3, 1934 To June, 18, 1934." *American Political Science Review*, vol. 28, no. 5 (Oct., 1934), pp. 852-856.
- Hilgerdt, Folke. "The Case For Multilateral Trade." *American Economic Review*, vol. 33, no. 1 (Mar., 1943), pp. 393-407.
- Hoffman, G. Wright. "Control Of Speculation Under The Securities Exchange Act." *American Economic Review*, vol. 27, no. 1 (Mar., 1937), pp. 274-283.
- Hopwell, Michael H. and Kaufman, George G. "Commercial Bank Bidding On Municipal Revenue Bonds: New Evidence." *Journal Of Finance*, vol. 32, no. 5 (Dec., 1977), pp. 1647-1656.
- Jacobson, Jon. "Is There A New International History Of The 1920's?" *American Historical Review*, vol. 88, no. 3 (Jun., 1983), pp. 617-645.
- James, Christopher. "Self Selection And The Pricing Of Bank Services: An Analysis Of The Market For Loan Commitments And The Role Of Compensating Balance Requirements." *Journal of Financial And Quantitative Analysis*, vol. 16, no. 5 (Dec., 1981), pp. 725-746.
- "When Do Banks Take Equity In Debt Restructurings?" *Review Of Financial Studies*, vol. 8, no. 4 (Winter, 1995), pp. 1209-1234.
- Jones, J.H. "Exchange Stability Versus Internal Price Stability." *Journal Of The Royal Statistical Society*, vol. 97, no. 2 (1934), pp. 277-312.
- "The Gold Standard." *Economic Journal*, vol. 43, no. 172 (Dec., 1933), pp. 551-574.
- Kane, Edward J. "De Jure Interstate Banking: Why Only Now?" *Journal Of Money, Credit And Banking*, vol. 28, no. 2 (May, 1996), pp. 688-697.

- 
- , "Accelerating Inflation, Technological Innovation, And The Decreasing Effectiveness Of Bank Regulation." *Journal Of Finance*, vol. 36, no. 2 (May, 1981), pp. 355-367.
- Kaufman, George G. and Mote, Larry R. "Commercial Bank Securities Activities: What Really Happened In 1902: Note." *Journal Of Money, Credit And Banking*, vol. 24, no. 3 (Aug., 1992), pp. 370-374.
- Kareken, John H. "Federal Bank Regulatory Policy: A Description And Some Observations." *Journal Of Business*, vol. 59, no. 1 (Jan., 1986), pp. 3-48.
- Kriz, Miroslav A. "Central Banks And The State Today." *American Economic Review*, vol. 38, no. 4 (Sep., 1948), 565-589.
- Kuhn, Arthur K. "International Finance And National Autonomy." *American Journal Of International Law*, vol. 27, no. 3 (Jul., 1933), pp. 491-493.
- Kurihara, Kenneth K. "Toward A New Theory Of Monetary Sovereignty." *Journal Of Political Economy*, vol. 57, no. 2 (Apr., 1949), pp. 162-170.
- Leavens, Dickson H. "The Distribution Of The World's Silver." *Review Of Economic Statistics*, vol. 17, no. 6 (Nov., 1935), pp. 131-138.
- , "Bullion Prices And The Gold-Silver Ratio, 1929-1945." *Review Of Economic Statistics*, vol. 28, no. 3 (Aug., 1946), pp. 160-164.
- Leland, Simeon E. "The Government, The Banks And The National Debt." *Journal Of Finance*, vol. 1, no. 1 (Aug., 1946), pp. 5-26.
- Lieberman, Charles. "The Long-Run And Short-Run Demand For Money, Revisited." *Journal Of Money, Credit And Banking*, vol. 12, no. 1 (Feb., 1980), pp. 43-57.
- Linke, Charles M. "Regulation Of Interest On Deposits." *Journal Of Finance*, vol. 22, no. 2 (May, 1967), pp. 297-299.
- Lin, Lin. "Professor Graham On Reserve Money And The 100 Per Cent Proposal." *American Economic Review*, vol. 27, no. 1 (Mar., 1937), pp. 112-113.
- Luke, Jon C. "Inflation-Free Pricing Rules For A Generalized Commodity-Reserve Currency." *Journal Of Political Economy*, vol. 83, no. 4 (Aug., 1975), pp. 779-790.
- Maier, Charles S. "The Two Postwar Eras And The Conditions For Stability In Twentieth-Century Western Europe." *American Historical Review*, vol. 86, no. 2 (Apr., 1981), pp. 327-352.

- 
- Marget, Arthur W. "Monetary Theory At The Textbook Level." *American Economic Review*, vol. 32, no. 4 (Dec., 1942), pp. 775-790.
- McDonald, John G. "French Mutual Fund Performance: Evaluation Of Internationally Diversified Portfolios." *Journal Of Finance*, vol. 28, no. 5 (Dec., 1973), pp. 1161-1180.
- McKinnon, Ronald I. "The Rules Of The Game: International Money In Historical Perspective." *Journal Of Economic Literature*, vol. 31, no. 1 (Mar., 1993), pp. 1-44.
- Mikesell, Raymond. "Gold Sales As An Anti-Inflationary Device." *Review Of Economic Statistics*, vol. 28, no. 2 (May, 1946), pp. 105-108.
- Miller, E.C. "Responsibility For Federal Reserve Policy, 1927-1929." *American Economic Review*, vol. 25, no. 3 (Sep., 1935), pp. 442-458.
- Moore, James R. "Sources Of New Deal Economic Policy: The International Dimension." *Journal Of American History*, vol. 61, no. 3 (1974), pp. 728-744.
- Morton, Walter A. "Liquidity And Solvency." *American Economic Review*, vol. 29, no. 2 (Jun., 1939), pp. 272-285.
- "A Zero Deposit Rate." *American Economic Review*, vol. 30, no. 3 (Sep., 1940), pp. 536-553.
- Muchmore, Lynn. "The Banking Crisis Of 1933: Some Iowa Evidence." *Journal Of Economic History*, vol. 30, no. 3 (Sep., 1970), pp. 627-639.
- Mullins, David Wiley, J.R. "Restrictions On The Rate Of Interest On Demand Deposits And A Theory Of Compensating Balances." *Journal Of Finance*, vol. 31, no. 2 (May, 1976), pp. 233-252.
- Nelson, Michael. "The President And The Court: Reinterpreting The Court-Packing Episode Of 1937." *Political Science Quarterly*, vol. 103, no. 2 (Summer, 1998), pp. 267-293.
- Nichols, Jeanette P. "Roosevelt's Monetary Diplomacy In 1933." *American Historical Review*, vol. 56, no. 2, (Jan., 1951), pp. 295-317.
- Nichols, Mark W. and Hendrickson, Jill M. "Profit Differentials Between Canadian And U.S. Commercial Banks: The Role Of Regulation." *Journal Of Economic History*, vol. 57, no. 3 (Sep., 1997), pp. 694-696.
- Nussbaum, Arthur. "International Monetary Agreements." *American Journal Of*

- 
- International Law*, vol. 38, no. 2 (Apr., 1944), pp. 242-257.
- O'Brien, Anthony Patrick. "The Failure Of The Bank Of The United States: A Defense Of Joseph Lucia: Note." *Journal Of Money, Credit And Banking*, vol. 24, no. 3 (Aug., 1992), pp. 374-384.
- Oliver, Covey T. "The Monetary Gold Decision In Perspective." *American Journal Of International Law*, vol. 49, no. 2 (Apr., 1955), pp. 216-221.
- Oye, Kenneth A. "The Sterling-Dollar-Franc Triangle: Monetary Diplomacy 1929-1937." *World Politics*, vol. 38, no. 1 (Oct., 1985), pp. 173-199.
- Palyi, Melchoir. "England Versus Gold: A Rejoinder To Professor Brown." *Journal Of Business Of The University Of Chicago*, vol. 14, no. 4 (Oct., 1941), pp. 423-426.
- "Bank Portfolios And The Control Of The Capital Market." *Journal Of Business Of The University Of Chicago*, vol. 11, no. 1 (Jan., 1938), pp. 70-111.
- "Perry v. United States (In Judicial Decisions; Supreme Court Of The United States)." *American Journal Of International Law*, vol. 30, no. 2 (Apr., 1936), pp. 316-324.
- Phillips, Almarin. "Regulatory Reform For The Deposit Financial Institutions- Retrospect And Prospects." *Journal Of Financial And Quantitative Analysis*, vol. 9, no. 5 (Nov., 1974), pp. 795-802.
- Phillips, Ronnie J. "An End To Private Banking: Early New Deal Proposals To Alter The Role Of The Federal Government In Credit Allocation." *Journal Of Money, Credit and Banking*, vol. 26, no. 3 (Aug., 1994), pp. 552-568.
- Polk, Judd. "The Future Of Frozen Foreign Funds." *American Economic Review*, vol. 32, no. 2 (Jun., 1942), pp. 255-271.
- Preston, Howard H. "The Banking Act Of 1933." *American Economic Review*, vol. 23, no. 4 (Dec., 1933), pp. 585-607.
- "The Banking Act Of 1935." *Journal Of Political Economy*, vol. 43, no. 6 (Dec., 1935), pp. 743-762.
- Roberts, George E. "Speculation, Gold, And Bank Policy." *Review Of Economic Statistics*, vol. 11, no. 4 (Nov., 1929), pp. 197-202.
- Robinson, Marshall A. "Federal Debt Management: Civil War, World War I, And World War II." *American Economic Review*, vol. 45, no. 2 (May, 1955), pp. 388-401.
- Robinson, Ronald I. "Central Banks And The State: A Comment." *American Economic Review*, vol. 39, no. 2 (Mar., 1949), pp. 494-499.

- 
- , "The Capital-Deposit Ratio In Banking Supervision." *Journal Of Political Economy*, vol. 49, no. 1 (Feb., 1941), pp. 41-57.
- Roe, Alfred L. "Bankers And Thrift In The Age Of Affluence." *American Quarterly*, vol. 17, no. 4 (Winter, 1965), pp. 619-633.
- Rogin, Leo. "The New Deal: A Survey Of The Literature." *Quarterly Journal Of Economics*, vol. 49, no. 2 (Feb., 1935), pp. 325-355.
- Romer, Christina D. "What Ended The Great Depression?" *Journal Of Economic History*, vol. 52, no. 4 (Dec., 1992), pp. 757-784.
- Rosenson, Alex. "International Commodity Reserve Standard Reconsidered." *Review Of Economics And Statistics*, vol. 30, no. 2 (May, 1948), pp. 135-140.
- Rudin, Harry R. "Diplomacy, Democracy, Security: Two Centuries Contrast." *Political Science Quarterly*, vol. 71, no. 2 (Jun., 1956), pp. 161-181.
- Samuelson, Paul A. "Lord Keynes And The General Theory." *Econometrica*, vol. 14, no. 3 (Jul., 1946), pp. 187-200.
- Saving, Thomas R. "Toward A Competitive Financial Sector." *Journal Of Money, Credit And Banking*, vol. 4, no. 4 (Nov., 1972), pp. 897-914.
- Sayers, R.S. "Central Banking In The Light Of Recent British And American Experience." *Quarterly Journal Of Economics*, vol. 63, no. 2 (May, 1949), pp. 198-211.
- Seligman, Harold L. "The Problem Of Excessive Commercial Bank Earnings." *Quarterly Journal Of Economics*, vol. 60, no. 3 (May, 1946), pp. 365-389.
- Seltzer, Lawrence H. "The Changed Environment Of Monetary-Banking Policy." *American Economic Review*, vol. 36, no. 2 (May, 1946), pp. 65-79.
- Shaffer, Sherrill. "Cross-Subsidization In Checking Accounts: Note." *Journal Of Money, Credit and Banking*, vol. 16, no. 1 (Feb., 1984), pp. 100-109.
- Shirras, G. Findlay. "The Position And Prospects Of Gold." *Economic Journal*, vol. 50, no. 198-199 (Jun.-Sep., 1940), pp. 207-223.
- Simon, Miguel Cantillo. "The Rise And Fall Of Bank Control In The United States: 1890-1939." *American Economic Review*, vol. 88, no. 5 (Dec., 1998), pp. 1077-1093.
- Simons, Edward C. "The Elasticity Of The Federal Reserve Note." *American Economic*

- 
- Review*, vol. 26, no. 4 (Dec., 1936), pp. 683-690.
- "The Gold Certificate." *Journal Of Political Economy*, vol. 44, no. 4 (Aug., 1936), pp. 534-543.
- Simons, Henry C. "Economic Reconstruction: The Columbia Report." *Journal Of Political Economy*, vol. 42, no. 6 (Dec., 1934), pp. 795-799.
- "Rules Versus Authorities In Monetary Policy." *Journal Of Political Economy*, vol. 44, no. 1 (Feb., 1936), pp. 1-30.
- Smith, Jean Edward. "The Red Prussianism Of The German Democratic Republic." *Political Science Quarterly*, vol. 82, no. 3 (Sep., 1967), 368-385.
- Smith, Lawrence. "The Suspensions Of The Gold Standard In Raw Material Exporting Countries." *American Economic Review*, vol. 24, no. 3 (Sep., 1934), pp. 430-499.
- Smith, Tyan, and Hengren, Raymond E. "Bank Capital: The Problem Restated." *Journal Of Political Economy*, vol. 55, no. 6 (Dec., 1947), pp. 553-566.
- Smithies, Arthur. "Schumpeter And Keynes." *Review Of Economics and Statistics*, vol. 33, no. 2 (May, 1951), pp. 163-169.
- "The American Economy In The Thirties." *American Economic Review*, vol. 36, no. 2 (May, 1946), pp. 11-27.
- "Reflections On The Work And Influence Of John Maynard Keynes." *Quarterly Journal Of Economics*, vol. 65, no. 4 (Nov., 1951), pp. 578-601.
- "Modern International Trade Theory And International Policy." *American Economic Review*, vol. 42, no. 2 (May, 1952), pp. 168-176.
- Spahr, Charles B. "Giffen's Case Against Bimetallism." *Political Science Quarterly*, vol. 8, No. 3 (Sep., 1893), pp. 401-425.
- Spellman, Lewis J. "Deposit Ceilings And The Efficiency Of Financial Intermediation." *Journal Of Finance*, vol. 35, no. 1 (Mar., 1980), pp. 129-136.
- Stamp, J.C. "The Report Of The Macmillan Committee." *Economic Journal*, vol. 41, no. 163 (Sep., 1931), pp. 424-435.
- Steiner, W.H., Watkins, Leonard L., and Weyforth, William O. "Discussion." *American Economic Review*, vol. 24, no. 1 (Mar., 1934), pp. 130-139.
- Summers, Lawrence and Alesina, Alberto. "Central Bank Independence And Macroeconomic Performance: Some Comparative Evidence." *Journal Of Money*,

- 
- Credit & Banking*, vol. 25, no. 1 (Aug., 1993), 470-485.
- Swerling, Boris C. "Buffer Stocks And International Commodity Problems." *Economic Journal*, vol. 63, no. 252 (Dec., 1953), pp. 778-790.
- Taggart, J.H. and Jennings, L.D. "The Insurance Of Bank Deposits." *Journal Of Political Economy*, vol. 42, no. 4 (Aug., 1934), pp. 508-516.
- Thomas, R.G. "Bank Failures-Causes And Remedies." *Journal Of Business Of The University Of Chicago*, vol. 8, no. 3 (Jul., 1935), pp. 297-318.
- Thomas, Woodlief. "Use Of Credit In Security Speculation." *American Economic Review*, vol. 25, no. 1 (Mar., 1935), pp. 21-30.
- Trefftzs, Kenneth Lewis. "The Regulation Of Loans To Executive Officers Of Commercial Banks." *Journal Of Political Economy*, vol. 50, no. 3 (Jun., 1942), pp. 377-396.
- Triffin, R. "National Central Banking And The International Economy." *Review Of Economic Studies*, vol. 14, no. 2 (1946-1947), pp. 53-75.
- Vernon, J.R. "World War II Fiscal Policies And The End Of The Great Depression." *Journal Of Economic History*, vol. 54, no. 4 (Dec., 1994), pp. 850-868.
- Warburton, Clark. "Who Makes The Inflationary Gap?" *American Economic Review*, vol. 33, no. 3 (Sep., 1943), pp. 607-612.
- "Monetary Control Under The Federal Reserve Act." *Political Science Quarterly*, vol. 61, no. 4 (Dec., 1946), pp. 505-534.
- "The Tripartite Problem Of Scarce Currencies." *Political Science Quarterly*, vol. 64, no. 3 (Sep., 1949), pp. 388-404.
- "The Theory In Turning Points Of Business Fluctuations." *Quarterly Journal Of Economics*, vol. 64, no. 4 (Nov., 1950), pp. 525-549.
- "Has Bank Supervision Been In Conflict With Monetary Policy?" *Review Of Economics And Statistics*, vol. 34, no. 1 (Feb., 1952), pp. 69-74.
- "Rules And Implements For Monetary Policy." *Journal Of Finance*, vol. 8, no. 1 (Mar., 1953), pp. 1-21.
- "Monetary Difficulties And The Structure Of The Monetary System." *Journal Of Finance*, vol. 7, no. 4 (Dec., 1952), pp. 523-545.
- Watkins, Leonard L. "The Variable Reserve Ratio." *Journal Of Political Economy*, vol.

- 
- 44, no. 3 (Jun., 1936), pp. 339-373.
- Westerfield, Ray B. "The Banking Act Of 1933." *Journal Of Political Economy*, vol. 41, no. 6 (Dec., 1933), pp. 721-749.
- Wheelock, David C. "Government Policy And Banking Market Structure In The 1920's." *Journal Of Economic History*, vol. 53, no. 4 (Dec., 1993), pp. 857-879.
- White, Eugene Nelson. "The Political Economy Of Banking Regulation, 1864-1933." vol. 42, no. 1 (Mar., 1982), pp. 33-40.
- , "State-Sponsored Insurance Of Bank Deposits In The United States, 1907-1929." *Journal Of Economic History*, vol. 41., no. 3 (Sep., 1981), pp. 537-557.
- Whittlesey, Charles R. "Problems Of Our Domestic Money And Banking System." *American Economic Review*, vol. 34, no. 1 (Mar., 1944), pp. 245-259.
- , "Political Aspects Of The Gold Problem." *Journal Of Economic History*, vol. 9, (1949), pp. 50-60.
- "Who Pays For The Gold." *American Economic Review*, vol. 32, no. 1 (Mar., 1942), pp. 125-128.
- Wicker, Elmus R. "Federal Reserve Monetary Policy, 1922-33: A Reinterpretation." *Journal Of Political Economy*, vol. 73, no. 4 (Aug., 1965), pp. 325-343.
- Wigmore, Barrie A. "Was The Bank Holiday Of 1933 Caused By A Run On The Dollar?" *Journal Of Economic History*, vol. 47, no. 3 (Sep., 1987), pp. 739-755.
- Williams, John H. "Monetary Stabilization From An International Point Of View." *American Economic Review*, vol. 25, no. 1 (Mar., 1935), pp. 156-163.
- , "The Banking Act Of 1935." *American Economic Review*, vol. 26, no. 1 (Mar., 1936), pp. 95-105.
- Winn, Willis J. "Commodity-Reserve Currency: A Rejoinder." *Journal Of Political Economy*, vol. 51, no. 2 (Apr., 1943), pp. 175-177.
- Wright, David McCord. "The Future Of Keynesian Economics." *American Economic Review*, vol. 35, no. 3 (Jan., 1945), pp. 284-307.
- Wright, Kenneth M. "Dollar Pooling In The Sterling Area, 1939-1952." *American Economic Review*, vol. 44, no. 4 (Sep., 1954), pp. 559-576.
- Zupnick, Elliot. "The Sterling Area's Central Pooling System Re-Examined." *Quarterly Journal Of Economics*, vol. 69, no. 1 (Feb., 1955), pp. 71-84.

---

## INTERNET RESOURCES

- DeLong, J. Bradford. "East Asia: Lessons From The Great Depression." Feb. 5, 1998. [http://www.j-bradford-delong.net/OpEd/East\\_Asia\\_Lessons.html](http://www.j-bradford-delong.net/OpEd/East_Asia_Lessons.html) (Accessed Mar. 15, 2005).
- , "The Economic Foundations Of Peace: International Economic Organizations." Nov. 5, 1997. [http://www.j-bradford-delong.net/Econ\\_Articles/lal.html](http://www.j-bradford-delong.net/Econ_Articles/lal.html) (Accessed Mar. 15, 2005).
- , "Those Who Do Not Remember History Are Condemned To Repeat It—And The Rest Of Us Are Condemned To Repeat It With Them: 'Lessons' Of History For The East Asian Financial Crisis." Apr. 1998. <http://www.j-bradford-delong.net/Comments/Santayana.html> (Accessed Mar. 15, 2005).