

FORGOTTEN ANNIVERSARY HAUNTS THE NATION

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Seventy-five years ago this month Franklin Delano Roosevelt was inaugurated as the 32nd President of the United States. Within days after swearing to uphold the U.S. Constitution, through a Presidential Proclamation he closed the U.S. Mint to gold. Recall that the Mint had been established by the Constitution to protect the people's right to sound money.

Roosevelt had been elected on a platform of sound money. Barely in office, he reversed himself. He grabbed the gold of the people, marked up its value, leaving Federal Reserve notes in the hands of the people that were to lose 95 percent of their value during subsequent years. They stand poised to lose their remaining value before long.

That experience left behind a moral trauma that returns to haunt us 75 years later even if the establishment, the media, as well as academia, want us to forget the anniversary. They will not succeed. Roosevelt's chickens will not let them. It has taken the chickens 75 years to come home to roost. Come home they will with a vengeance. The past 75 years were a period of unprecedented turbulence in the financial markets. Yet never during those 75 years has the nation faced a graver monetary crisis than it is facing now. The banking system of the country threatens to seize up. The credit system is facing a violent collapse.

You will hear a lot of *ad hoc* explanations of what has happened, from subprime mortgages to loose Federal Reserve monetary policy to profligate government fiscal policy. However, one explanation you will never hear from the establishment, from mainstream economics, or from the media. They will never ever mention the real culprit, the irredeemable dollar.

The tendency of virtually all businessmen, legislators, jurors, and even pastors to go with the tide is thoroughly established. Perhaps such men confuse position and power with wisdom or with competence in fields where they are not competent. As it stands, not one of our political leaders, judges, not one captain of business is competent in the field of money. They do not understand that a monetary crisis, such as the one threatening the irredeemable dollar right now, could totally wipe out its value. It is abundantly clear that the United States is in a most serious trouble as it can no longer produce the goods necessary for survival, nor can it buy them in the world's markets, in a high degree because of its use of irredeemable currency. Worse still, in consequence of embracing irredeemable currency we have unprecedented dishonesty in government. Standards of dishonesty in government spreads like cancer throughout the nation, as support is given by unwise men to the use of such currency.

It is difficult to think of an unsound monetary practice that has not been embraced in some manner since 1933 by our modern John Laws of finance. The 18th century Scottish adventurer John Law should have felt thoroughly at home among the latter-day adventurers at the helm in the U.S. Treasury and the Federal Reserve.

When the U.S. Mint was closed to gold in March, 1933, by Roosevelt and the country embarked upon the sea of managed currency, a very large number of individuals and organizations urged a prompt return to the gold standard (which, believe it or not, included the Federal Reserve Board, the Federal Advisory Council, 37 members of the faculty of Columbia University, and 710 members of the American Economic Association, to mention but a few).

The question arises as to what has become of those opposing voices in the intervening years. Why, some were silenced through bribe and blackmail. They were simply corrupted by a political

movement which they found inexpedient to oppose. The upright individuals among them, on the other hand, were silenced through attrition and death. They were not allowed to pass on the torch to the next generation. All knowledge about gold money was systematically purged from university curricula and from institutes of advanced studies, replaced by a claptrap of pseudo-mathematical bunk.

Of course, one may expect groups, usually controlled by expediency, to shift their position with the changing political tides. But there is no valid defense that can be offered for men who pretend to be scientists and who adjust their so-called principles of science in accordance with the changes of political fashions, or invent fraudulent differential equations purportedly describing the behavior of money in the hands of the people.

The monetary policies of the advocates of irredeemable currency have in the main been those of charlatans. Those who are passing themselves off today as monetary economists either have not understood the lessons of the past; or have been willing to junk them in the interest of expediency, for such personal gains as they may expect to realize for parroting the official propaganda line.

A deep, searing corruption has afflicted monetary science during the past 75 years, comparable to Lysenkoism in the Soviet Union, now defunct. The only apparent difference is that opponents of the *enfant terrible* of Soviet genetics, Trofim Denisovich Lysenko, were carted off to the Gulag Archipelago, never to be heard from again. Still, it may take many decades of painful effort to overcome the damage caused by Lysenkoism, American style, that has expunged the once world-famous and respected American monetary science from the map. The well-being of our nation, nay, of the whole world, has been seriously undermined by this affliction. Whether the scientists who know the lessons of the past and the prescriptions suggested by evidence accumulated over centuries can do anything of importance to correct this sad state of affairs remains to be seen. The reception of the candidacy of Dr. Ron Paul does not leave us with a great deal of hope in this regard.

In his book *Hell Bent for Election* (Garden City, N.J., 1935) James P. Warburg quotes from a campaign speech given by Roosevelt in Butte, Montana, on September 19, 1932, as a basis for appraising the man who would violate his pledge on a matter as important as the people's monetary standard:

“Remember that attitude and method — the way we do things, not just the way we say things — is nearly always the measure of one's sincerity.”

This self-indicting speech was omitted from the *Published Papers and Addresses of Franklin Delano Roosevelt* compiled by Samuel I. Rosenman, as was another speech given by Roosevelt in Brooklyn. I quote Warburg:

‘On November 4, 1932, Mr. Roosevelt made this striking statement:

“One of the most commonly repeated misrepresentations by Republicans, including the President, has been the claim that the Democratic position with regard to money has not been made sufficiently clear. The President is seeing visions of rubber dollars. This is only a part of his campaign of fear. I am not going to characterize these statements. I merely present the facts. The Democratic platform specifically declares: ‘We advocate a sound currency to be preserved at all hazards.’ That is plain English.”

That statement could only mean, if it meant anything to the millions of people who voted for Roosevelt, a gold standard currency. Is there any defender of the irredeemable dollar, even among those who try to convey the impression that the majority of people wanted to abandon the gold standard in 1932, who has the moral courage to refer to these speeches? Roosevelt further said:

“The businessmen of the country, battling hard to maintain their financial solvency and integrity, were told in blunt language by President Hoover in Des Moines, Iowa, how close an escape the country had had some months ago from going off the gold standard. This, as had been clearly shown since, was a libel on the credit of the United States... No adequate answer has been made to the magnificent philippic of Senator Glass the other night, in which he

showed how unsound was this assertion. And I might add that Senator Glass made a devastating challenge that no responsible government would have sold to the country securities payable in gold if it knew that the promise, yes, the covenant embodied in these securities, was as dubious as the President of the United States claims it was."

I quote Warburg:

'On March 12, 1933 — a week after Roosevelt had become President — the United States Treasury issued \$800,000,000 of obligations payable "in United States gold coin of the present standard of value" — the same covenant above referred to by Roosevelt a few days before he was elected.

'Additional securities were issued shortly thereafter bearing the same covenant.

'On May 7, 1933, President Roosevelt in a radio broadcast to the people announced his intention to repudiate this covenant.

'And on June 5, 1933, the covenant was abrogated by Congress.

'The point is not whether we agree or disagree with Roosevelt's judgment or reasoning. The point is that if he had such a conviction in regard to the gold clauses and intended to act upon it, it would seem that the people had the right to know about it before they were asked to vote.'

The U.S. Mint was reopened to gold after the hiatus of the Civil War and Reconstruction, on January 2, 1879. In celebrating the event General James A. Garfield stated in an address delivered in Chicago:

"We shall still hear echoes of the old conflict, such as the 'barbarism and cowardice of gold and silver' and the 'virtues of fiat money'. The theories which gave them birth will linger among us like belated ghosts, but soon will find rest in the political grave of dead issues..."

Garfield warned that the 'periodic craze' of fiat paper money might sweep over this country from time to time. The force of the present episode of craze has apparently never before been experienced by our people. The end of this great disease is not yet in sight. If past experience provides any worthwhile lessons, then the ultimate consequences of our failure to understand the nature of this craze promise to be extremely painful, involving the greatest monetary and economic devastation the world has ever seen.

Orval W. Adams, one-time president of the American Bankers Association, in his article *Inflation — The Termite of Civilization* wrote in 1956:

'Open the Mint to gold. Gold is a gift to the world from an all-wise Creator. There is no substitute. There will never be any. Without gold as a base for national and international exchange, civilization could not have emerged from its barter period of the Dark Ages. Gold is the only insurance against ruthless politicians debasing and corrupting the world's exchange and money systems of a free people. I repeat, gold is a blessing from an all-wise Providence to prevent the tragedy that follows a debased, corrupted and politically managed medium of exchange. The gold standard is the automatic watchman on the tower of the government of free men, to guard against the poison of totalitarianism entering the bloodstream of sound money.'

On many an occasion was the gold standard gleefully, albeit prematurely, buried. One such occasion was the 'funeral oration' before the Chamber of Deputies in Nazi-occupied Paris, delivered by one of the highest-ranking functionaries of the Nazi party. He declared 'with deep inner satisfaction' that 'the gold standard is now as remote from the realities of life as the philosophy of the French Revolution: Liberty, Fraternity, and Equality of men...'

When Roosevelt confiscated our people's gold and forced them to accept irredeemable bills of credit in exchange, the purpose was to provide the government with liberty to do as it pleased with the product of other men's labor, while depriving people of the liberty to insulate themselves from government arbitrariness by converting the products of their labor into gold if they so desired. In doing so Roosevelt opened wide the door to government tyranny, which has shown itself in wild government spending, heavy taxation, radically depreciated currency, a huge national debt, much socialization and a high and increasing degree of government management of the economy, even in the suspension of civil rights.

Today a lot of people celebrate the advent of \$1000 gold. In their festive mood people are liable to forget an ominous consequence of this important milestone. It is the fulfillment of Roosevelt's design to deprive people of the liberty to shelter the fruits of their labor from the claws of the government by converting their property into gold. At \$1000 an ounce, not many people can purchase gold to protect the fruits of their labor against confiscation.

\$1000 gold is a milestone — on the road to hell.

March 25, 2008.

GOLD STANDARD UNIVERSITY LIVE

Session Four is planned to take place in Szombathely, Hungary (at the Martineum Academy where the first two sessions were held). The subject of the 13-lecture course is *The Bond Market and the Market Process Determining the Rate of Interest* (Monetary Economics 201). The date is: June 19-22. For more information please contact GSUL@t-online.hu. Further announcements will be made on the website www.professorfekete.com.