Newsletter 56: The Last Great Depression

Dear Reader,

In March, 2020 amid growing shutdowns of the United States and global economy over fears of a deadly novel pandemic disease called covid-19, the world began an astonishing economic collapse unprecedented in history. For the first time since the end of World War II we began to hear the long-forbidden “D” word, for depression, being used to describe what was clearly unfolding. During the Great Depression the highest rate of US unemployment was 24.9% in 1933. The St. Louis Fed projected in late March, 2020 that the US unemployment rate during the coronavirus panic could reach 32% unemployment — higher than the Great Depression, and that a staggering 42 million Americans could lose their jobs, a man-made depression in 2020. I have included a chapter from my book, **Gods of Money: Wall Street and the Death of the American Century** to review some major similarities today with the last Great Depression of 1929-1938. Then as now the Federal Reserve and the Money Trust of New York and London played a central if little-noted role in the tragic events.

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All my best as we all move through these difficult times,

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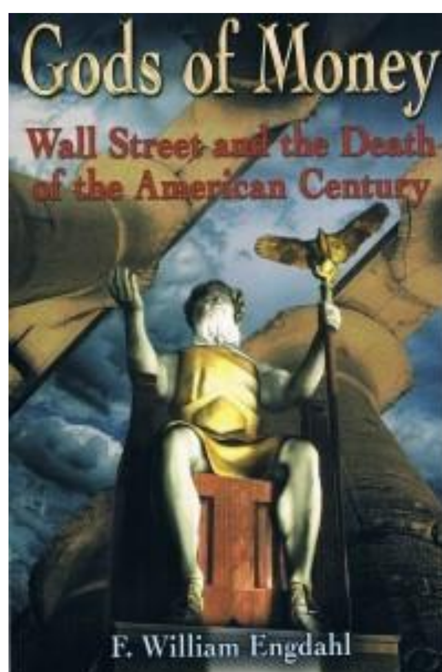

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A New Deal, a Great Depression: The Rockefellers take charge

'Why that's just plain stealing, isn't it, Mr. President?'
—Senator Thomas Gore to FDR on the President's 1933 decision to repeal debt repayment in gold

Decline of the House of Morgan

The first attempt at creating New York as the center of world finance under a US-dominated Gold Exchange Standard had collapsed in September 1931 when Great Britain abandoned gold, along with a host of other European nations. The collapse was lawful and entirely predictable, given the fragile international system of bank loans and bond underwriting that had been created by the House of J.P. Morgan & Co. after the Versailles peace conference in 1919.

In 1930, as an agricultural depression in America reached its full force, aggravated by record drought and Dust Bowl conditions fed by decades of extensive farming without crop rotation, 1,345 banks failed, most of them small rural farm banks. The spreading depositor withdrawals in the remaining banks led to a self-feeding spiral of bank closures, credit rationing by remaining banks, and even deeper economic depression leading to yet more bank failures.

By 1931, there were 2,294 more bank closings, almost double the year before. And another 1,453 banks closed their doors in 1932. By that year, a Presidential election year, the crisis had spread from individual banks to entire states. State governors, beginning in Nevada, began to declare state-wide 'bank holidays' to try to halt the panic cash withdrawals, which soon spread to the industrial state of Michigan.

Fearing an inevitable US devaluation of the dollar against gold, a rational move that would stimulate American industrial exports and slow the rising tide of unemployment, foreign central banks and other holders of dollars began to redeem their dollars for gold. That made the ultimate crisis even more certain, reinforcing Federal Reserve resolve to hold onto gold parity at all costs, regardless of its domestic impact.

The New York Federal Reserve raised its discount rate -- the interest rate charged commercial banks on loans from it -- from a low of 1.5% in October 1931 to 3.5% a week later. This was an enormous increase that more than doubled interest costs, but was done in order to respond to the 'gold loss and currency demands' under the rules of the prevailing gold standard.

The higher rates killed any chance of a domestic US bank recovery and further aggravated the domestic crisis which, in turn, fuelled more bank depositors' runs. Between August and November, the US money supply, including circulating currency and bank deposits, dropped 8%, unprecedented in the short history of the Federal Reserve. At the same time, the gold stock of the Federal Reserve, which theoretically should have risen under the attraction of higher US interest rates, fell instead by an alarming 11%.

Between the October 1929 stock market crash and the end of 1932, just three months prior to the inauguration of Franklin Delano Roosevelt in March 1933, America's national wealth had evaporated on a scale never before imagined. National income or GDP fell from some $88 billion to less than half that, or $42 billion, by the end of 1932.[1]

Amid the turmoil of the 1929-1933 New York stock market meltdown, and the failure of the thousands of smaller regional banks across America, a titanic power struggle was taking place within the highest ranks of the New York banking elites over who would emerge strongest from the crisis.

For the first time in United States history, other than during the 1861-1865 Civil War, the public debt of the United States Government dominated the American capital market. In 1930, a few weeks after the October 1929 New York stock market crash, US public debt had stood at just over $16 billion, or a mere 22% of national income. By the end of the Second World War in January 1946, the public debt stood at $278 billion, or 170% of national income. This represented an increase in nominal Federal debt of more than 1,700% in just sixteen years.[2]

The business of US banking shifted dramatically from financing stock margin buying and international loans, to that of financing the rise of an enormous Federal Government debt. Banks became, in effect, government bond traders rather than commercial business lenders. The stock market was not to recover its highs of 1929 for almost four decades.

The longer-term consequence of the Roosevelt era policies was a dramatic shift away from the power of international private banking, especially investment banking as done by J.P. Morgan, Kuhn Loeb, Dillon Read and others. Their ability to earn bountiful profits from underwriting bond issues in Europe or

Latin America collapsed in September 1931 when Britain left the Gold Exchange Standard.

With no gold standard to serve as a psychological underpinning for the possible risk of huge international loans, banks were forced to look closely at the actual credit risk of their borrowers. What they saw was scary. The result was that international credit dried up almost overnight. Banks, fearing default, called in existing loans. The cumulative effect contributed to a self-fulfilling cycle of default and deflation worldwide.

J. P. Morgan & Co. was never to recover its previous dominance in New York and international finance after that. From the years in which Morgan & Co. were the exclusive bankers to the UK Treasury during the First World War—cemented by the intimate friendship during the 1920's between Morgan-protégé Benjamin Strong at the NY Federal Reserve, and the Bank of England's Montagu Norman—the House of Morgan had built its growing international influence through deepening and leveraging its ties to the power of the fatally weakened City of London.

During frantic and fruitless efforts by the Bank of England's Norman to keep Britain within the Gold Standard in summer of 1931, the New York Fed's Strong told Norman that Britain's government would have to work out a rescue package with J.P. Morgan & Co, the United States Financial Agent to Her Majesty's government since 1914.

The British Labor government of Ramsay MacDonald was brought down over the refusal of a majority of the Government's Cabinet members to accept the harsh cuts in British unemployment benefits demanded by J.P. Morgan & Co. as a precondition for their loan. Morgan had pledged to organize a syndicate of New York and other banks to raise the sizeable sum of $200 million to save the Pound and, with it, Morgan's gold standard. [3]

In the end, Morgan was too late. On September 19, 1931 MacDonald's government announced that Britain had decided to leave the gold standard entirely. That decision effectively ended J.P. Morgan's strategy of incorporating Great Britain and the City of London as partners in a New York-centered financial imperium.

From that point on, the British Government never again would use J.P. Morgan & Co. as its exclusive Government financial agents in the United States, a role Morgan had played since 1914 to its enormous advantage.[4] This marked the clear decline of the House of Morgan within the American establishment, as well. Sharks are good at smelling blood, especially of their rivals.

The second devastating blow to the primacy of the House of Morgan in New York finance came in June 1933 when the US Congress passed the Glass-Steagall Act, officially named the Banking Act of 1933. As a measure intended to curtail future stock and financial speculation bubbles, the new act prohibited a bank holding company from owning other financial companies, including insurance and investment banks. In addition, it established the Federal Deposit Insurance Corporation for insuring bank deposits.

The only major New York bank that encouraged Congress to pass the Glass-Steagall Act was Rockefeller's Chase Bank. Chase chairman Winthrop Aldrich was the son of Senator Nelson Aldrich, the same Senator Aldrich of the infamous 'Aldrich Plan' that became the core of the 1913 Federal Reserve Act.

Winthrop Aldrich strenuously lobbied Congress to pass Glass-Steagall, despite the strong opposition from Morgan and other New York banks. Unlike J.P. Morgan, the Chase Bank had become the world's largest deposit bank largely through extending traditional loans to the circle of Rockefeller companies such as Standard Oil. Chase was less dependent than Morgan on the underwriting of international bonds or the speculation in buying and selling of stocks. [5]

The Rockefellers conveniently put the knife in the back of their Morgan rivals when they were weakest. Chase emerged unscathed from the Congressional investigations into bank improprieties by the Senate Banking Committee, and the bank was prominently profiled as a 'friend' of the New Deal, a rarity in a Wall Street milieu in which Franklin Roosevelt was scornfully referred to as a 'traitor to his class' for his speeches attacking Wall Street greed and corruption, calling them 'economic royalists.' Traditional conservative Wall Street bankers regarded Roosevelt's depression relief measures, such as the National Recovery Administration, as a giant step to Bolshevism. [6]

The Glass-Steagall Act, passed amid the national bank panic in the first days of Roosevelt's administration, dealt a devastating blow to the once almighty House of Morgan, a blow from which it never fully recovered. [7] The Rockefeller faction emerged on the ashes of the House of Morgan to dominate US establishment policy as no other.

Gold Crisis and Dollar Debasement

By January 1934, the flawed workings of the US-centered Gold Standard were operating in effect to undermine public confidence in banking. Meanwhile, the Government publicly disclosed which domestic US banks it considered to be in danger and in need of government aid, triggering new panic depositor runs on thousands of smaller, poorly capitalized banks.

Two days after his inauguration as President on March 6, 1933, Roosevelt decreed a four-day national banking holiday. The main aim was to prevent anyone from hoarding or exporting gold or silver. [8] Every bank in the United States was shut down. Neither deposits nor withdrawals were possible, as Federal auditors were sent in to check the accounts of all banks before certifying which were solvent and which must be closed. The President showed his disdain for formal legal procedure and simply invoked the unrelated "Trading with the Enemy Act" of 1917 as his legal basis. Presumably, the foreign holders of gold-backed US dollars were now 'the enemy.'

Within three days Congress had passed the Emergency Banking Act that validated the President's actions and gave him near *carte blanche* powers to go further. On April 5, 1933 Roosevelt signed an Executive Order declaring it illegal for American citizens to hold or own gold coins, bullion or gold certificates. [9] Violation was punishable by a $10,000 fine or ten years in prison, making owning of gold a felony.

The Federal Government thus had confiscated its own citizens' gold. As gold was universally regarded as the ultimate store of value for a currency or for repayment of debts, it was a massive, forced confiscation by the State of the private wealth of its citizens in return for mere paper promises to pay. The citizenry were powerless to act; they could merely hope for better times amid a deepening depression. Few people understood the complex workings of gold. By confiscating civilian gold holdings the US Government not only restocked its gold vaults at the expense of its citizens, it also cut off any chance citizens could resort to gold for a personal long-term store of value in the middle of the nation's worst economic depression.

Meanwhile, the Government had stopped converting its dollars into gold. On June 5, 1933 Congress formally abandoned the Gold Standard and declared the traditional gold-clause contract -- whereby a creditor, foreign or domestic, could demand repayment in either currency or gold -- to be null and void. Some $100 billion of such contracts, a staggering sum, were then outstanding for everything from mortgage deeds to life insurance policies to railroad bonds. The gold-clause had been an insurance against inflation and a guarantee of sound money repayment. [10]

Not any more. Creditors could no longer demand private debts be repaid in gold coin. Senator Thomas Gore from Oklahoma, when asked his opinion of the gold-clause repeal by Congress, snapped back, "Why that's just plain stealing, isn't it, Mr. President?" London referred a bit more diplomatically to the US Treasury's declaration that it would no longer honor its debts with gold as, "the American default." [11]

Baruch gains, others lose

One person emerged from the financial crisis with vastly larger power and financial resources. He was Bernard Baruch, one of the most politically influential of the Wall Street Money Trust. Baruch was a financier, a political "contributor" of Wall Street money to influence Congress, and an adviser to Presidents from Wilson to Hoover to Roosevelt and even a British Prime Minister, Winston Churchill. His Wall Street fortune had been tied to the railroad millionaire, E. H. Harriman as well as the Rockefellers.[12]

One of the most influential voices demanding rigid adherence to the orthodoxy of the Gold Standard in those days, Baruch had made a fortune before and during the First World War as a stock promoter for the American copper trust headed by the Guggenheim family.

In 1916, prior to US entry into the war, President Wilson had named Baruch to head the Advisory Commission of the Council of National Defense, which later became the War Industries Board. He was thereby made *de facto* wartime czar over US industry for the duration of combat. In that position, as later Congressional investigations documented, Baruch cartelized major sectors of American industry, and helped create huge price-fixing trusts in copper and other industries, enabling immense profits to be made from war production at Government -- that is, at taxpayer -- expense. [13]

Baruch used privileged insider information from his position at the Council of National Defense. In one documented instance, he alerted his business friends in the cartel of copper producers to sell a huge sum of copper, vital for war production, to the US Government at a highly inflated price just two weeks before President Wilson declared war on April 2, 1917.[14] This all took place while Baruch was holding a sensitive position of public trust.

Insider trading and conflicts of interest were never considered a problem by Baruch. After the US entry into the European war in April 1917, when Baruch's obvious conflict of interest was so brazen that it was attacked in the press, Baruch named his old Wall Street crony and business partner Eugene Meyer Jr. to oversee all Government purchases of copper. At the time, Meyer was Chairman of the Government War Finance Corporation. Baruch was later to secure ownership of the politically influential *Washington Post* for his friend Meyer, most likely out of gratitude.

Throughout the Republican presidencies of the 1920's, Baruch had built up his influence, mainly by making large financial contributions to influential Congressional Democrats. He was a power broker without rival in that day,

widely known to control the votes of at least 60 Senators and Representatives in Congress, through his money and influence.

At the time of the Wall Street crash, Baruch was considered the most influential Democrat in Hoover's Washington and, with Congress increasingly under Democratic control in the early 1930s, this was a position of enormous power.

After 1930, Republican Herbert Hoover increasingly sought out Baruch for advice on what overtures a Democratic Congress might accept to counter the nation's spreading economic crisis.

Baruch made no secret that he had gained a fortune in the stock market by selling all his stocks at peak prices some weeks before the October 1929 crash, thus giving his public statements the weight of the oracle of Delphi in the crisis of the early 1930s. He didn't say that his close friend, Winston Churchill, had done the same on Baruch's advice. Both Baruch and Churchill, curiously, managed to get out at the stock market peak, just before the Bank of England triggered the events leading to the London market crash in September 1929. Suspicions in certain quarters held that Churchill and Baruch both benefited from their respective insider positions.

In the critical months of 1931 and 1932, Bernard Baruch forged a Congressional consensus of Democrats and Republicans that dominated legislation and political debate. The influential Senate Finance Committee chairman and other powerful legislators were frequent hunting guests at Baruch's South Carolina plantation retreat in the early 1930s.

Baruch thus held an unequalled position of power and influence over Washington economic policy during those critical first few years of the depression. What he did with that influence was to prove decisive to the course of subsequent events.

He urged Senate Democrats not to embark on any course that would provide an alternative to the paralyzed White House, but instead, to come to a consensus with Hoover's Republicans. "The country is in a highly excited condition," he told Senate friends. "What it needs now is rest, not any more changes. Let us not try to rectify too many things now."[15]

Baruch's unique influence blocked any genuine Democratic alternative to the disastrous Hoover laissez faire policy in those critical months. That lack of initiatives or solutions from the Democrats in the 1930s was not unlike the deafening silence of Congressional Democrats more than eight decades later during the 2008 Congressional debate over an unprecedented $700 billion Republican bailout bill for Wall Street.

Baruch argued that the deflation of commodity prices had bottomed out in October 1930 and that, "natural curative forces have set themselves in motion. I do not believe government can do anything to help. Every time government steps in, they make it worse."[16]

He told a group of Democratic Party academic economists at the time that, "business must go through the wringer, and start over again," as though the national economy were a giant washing machine. When one economist present protested that such a laissez faire approach by government risked riots in the streets, Baruch snapped back, "There is always tear gas to take care of that."

He used his influence to vigorously oppose any proposals for government public works spending to ease unemployment, which he contemptuously termed, "job inflation." A front page headline in the November 12, 1931 *New York Times* proclaimed this baseless optimism: "Baruch Sees Nation Rising From Slump." Alongside it ran an article reporting 67,000 unemployed lining up in New York City to register for emergency jobs. Baruch called for raising income taxes to keep the government's budget "balanced and sound" in the crisis, insisting that any vigorous public spending would inflate the dollar. His eye was on the price of gold, not the public welfare.

Through his influence over Congressional Democrats, Baruch succeeded in winning them to the same destructive fiscal deflation as Hoover's Republicans, thus successfully paralyzing any prospect for significant policy initiative as the nation sank deeper into the economic morass. Bernard Baruch was unremitting in his advocacy of continued deflation as national policy during the years of the onset of depression.

The core of Baruch's strategy was to prevent any Congressional attempts to modify the Federal Reserve System and to demand, at all costs, rigid US adherence to the Gold Standard, even after Britain and 24 other nations had abandoned it in late 1931. As Baruch wrote to his close friend, Senator Jimmy Byrnes, "This country cannot go off the gold basis." [17]

Coincidentally, during the entire period when Baruch was urging Congress and the Hoover Administration not to abandon the gold standard, Baruch was also the private business partner of Hoover's Undersecretary of the Treasury Ogden Mills Jr. in an Alaska gold mine. A third partner was Baruch's old crony, Eugene Meyer, Jr., who had just been named by President Hoover to the Federal Reserve Board. [18]

By February 1932, in the midst of the presidential election year, US gold reserves had fallen to alarming lows. More than $1 billion of monetary gold had

gone, owing to foreign drains and to private hoarding of gold as the domestic American banking crisis escalated. The Federal Reserve was mandated by law to find another $1.5 billion of gold reserves. The amount of Federal Reserve 'free gold' at that point was down to $433 million, and it was disappearing at the rate of $150 million per week. Baruch redoubled his public and private call to maintain adherence to the gold standard at all costs.

Hoover adamantly affirmed he would do nothing further to "tamper" with the automatic workings of the Gold Standard. Gold continued to leave the vaults of the Federal Reserve, and bank failures mounted ever higher.

An editorial in the *Philadelphia Record* in May 1932 expressed the growing alarm in the nation:

> *Within three months the United States must suspend gold payment. If the Government waits until its hand is forced, it courts disaster. If the Government acts now, it can arrest deflation, end depression, win back prosperity...At the rate gold is going out of the Federal Reserve System, Federal Reserve banks will have to stop their open market transactions within six weeks. They will be pulled up short by dwindling gold reserve--the golden chain which has circumscribed any adequate action to cure the depression...*
>
> *Why can't we fight this depression as we fought the war, when we declared an embargo on gold in 1917, and no one thought anything of it?... President Hoover declared a moratorium on allied debts, but allows the subjects of these debtor nations* [i.e. France and Britain-w.e.] *to drain our gold and drive us toward destruction. Are we in the grip of some strange obsession, which makes us act irrationally whenever the precious metal is mentioned?*

When it became clear that Democrat Franklin Roosevelt would win the November 1932 presidential elections, Baruch shrewdly shifted his allegiance to Roosevelt, a man he had earlier opposed for the nomination.

At the same time, Baruch began privately hoarding gold bars in a New York bank vault, buying from European suppliers as well as from his own Alaska Juneau Gold Mining Company. Baruch's gold fortune reached an impressive sixty-six gold bars by February 1933, the month before Roosevelt's inauguration, when Baruch abruptly ceased buying gold. It turned out that some members of President-elect Roosevelt's 'Brain Trust' had privately informed Baruch of Roosevelt's gold policy plans.

On April 5 1933, Franklin Delano Roosevelt issued a proclamation calling for the return to the US Treasury of all privately held gold. At the time, Baruch was reportedly "the greatest single individual holder of gold bricks." Later that year, the Roosevelt government announced it was buying all newly mined gold at a price above the market price, a misguided effort to revive commodity prices. Needless to say, Baruch was a major beneficiary. Baruch kept his friend Winston Churchill closely informed of all these developments.

In any event, dollar convertibility with gold was to hold until the new President, Franklin Delano Roosevelt, in one of his first official acts of office, declared on April 19, 1933 that the United States had suspended convertibility of the dollar under the Gold Standard.

Roosevelt resumed the Gold Standard under the Gold Reserve Act, passed by Congress in January 1934. The act of 1934 represented the first official dollar devaluation against gold since 1900, when President McKinley had signed the Gold Standard Act, fixing the dollar to a value of 25.8 grains of gold.

The Gold Reserve Act of 1934 ended domestic redemption of dollars for gold. The new law nationalized all gold by ordering the Federal Reserve banks to turn over their supply to the US Treasury. In return the banks received gold 'certificates' to be used as reserves against deposits and Federal Reserve notes. The act also authorized the President to devalue the gold dollar so that it would have no more than 60 percent of its existing weight, a huge devaluation and a staggering loss for foreign creditors.

Roosevelt used his powers under the Gold Reserve Act to declare an immediate 59% devaluation of the dollar to a new fixed parity price of $35 per ounce of gold. The dollar was to remain at $35 per fine ounce gold until the fateful dollar crises of the early 1970's. By sharply devaluing the dollar against foreign currencies the Government hoped to give export trade a big boost and with it lift the economy out of depression.

Rockefellers emerge triumphant

The fateful consequence of the decline of the House of Morgan within the banking establishment was that the Rockefeller family and its interests rose to a position of dominance in US economic and political policy never before seen in America.

The Rockefeller group had been more or less in the background during the 1920s in terms of the Morgan group's efforts to build their global dollar power. Rockefeller, meanwhile, had concentrated on building the power of Standard Oil in the Middle East, Latin America, in Europe and elsewhere, and on building an

international chemicals and military industry, the predecessor to America’s Cold War era military industry complex.[19]

By the late 1930s the powerful Rockefeller dynasty was managed by four brothers, the sons of John D. Rockefeller Jr.—David, Nelson, John D. III and Laurance Rockefeller. A fifth brother, Winthrop, played a relatively minor role in the political activities of the family empire. The four brothers organized the emerging power of their faction within the highest ranks of the US power establishment around two banks: 1) New York’s First National Bank, the bank of the Standard oil empire, headed by James Stillman, and whose Board of Directors included William Rockefeller, brother of John, Jr; and 2) the Chase Bank, the house bank of Standard Oil and by 1933 the largest bank in the world, now under Rockefeller control after the merger with the Rockefellers’ Equitable Trust.

While most of Wall Street initially treated Roosevelt’s New Deal as anathema and a major step in the direction of economic Bolshevism for the United States, the Rockefeller brothers realized they could use the depression crisis and the emerging role of the state to huge advantage in building their global empire. They had little reason to fear any policies out of Roosevelt’s Cabinet. Their own establishment people dominated the President’s famous ‘Brain Trust,’ five men who guided the President’s policy decisions, but who had no official positions or titles. They included, in addition to Baruch, A. A. Berle; James Warburg, Wall Street banker (and son of the architect of the Federal Reserve, Paul Warburg); Professor Rexford Guy Tugwell; and Raymond Moley.

The Rockefellers had one of their top men, a former Rockefeller employee, at President Roosevelt’s side – FDR confidante Harry Hopkins. He would make certain Roosevelt did what was useful for the vast Rockefeller interests. Hopkins had been financed by the Rockefeller Foundation for more than a decade, when he ran its Organized Social Service. Hopkins soon became Franklin D. Roosevelt's alter ego, even to the point of living in the White House. He became the second most powerful man in America during the war years, dubbed by the press, ‘Deputy President.’

In addition, the Rockefellers had close ties to another influential member of FDR’s Brain Trust, Columbia University Professor A. A. Berle, Jr. Berle had been on close terms with the Rockefeller family since the early 1920s as a prominent New York lawyer. Berle would later work for the Rockefeller interests after the war as family adviser on Latin America, and co-author of Nelson Rockefeller’s ‘autobiography.’ [20]

Shortly after his reelection to a second term in 1937, Roosevelt, notorious for lack of understanding of economics, accepted the opinion of his Treasury

Secretary Henry Morgenthau that the depression was ending, and that the greatest danger was potential inflation from too much government spending.

As a consequence, FDR slashed Federal spending and dramatically reduced the budgets of New Deal agencies such as the Works Progress Administration. The Federal Reserve duly tightened the money supply, slamming the brakes on consumer spending. The stock market underwent its most severe drop in US history as two million Americans were thrown out of work. The press called it "Roosevelt's Depression." Shortly after the second fall of the economy into depression, FDR turned anew to people like A.A. Berle and to the Rockefeller interests for a strategy to bring America out of the second depression. The Rockefellers were more than ready to help.[21]

In that climate of the depressed stock market the Rockefellers were able to greatly extend their vast web of interlocked industrial and financial holdings as they pulled key corporate assets into their vast industrial empire. In contrast to its impact on most small and mid-sized industries, the New Deal dealt most kindly with the Rockefeller interests and most Fortune 500 corporations close to them, including Rockefeller Standard Oil companies as well as the group of chemical companies linked to them.[22]

Investigative journalist Walter Winchell reported at the time that Harry Hopkins acknowledged his debt to the Rockefellers when he was appointed Secretary of Commerce, by offering the post of Assistant Secretary of Commerce to Nelson Rockefeller, son of John D. Rockefeller, Jr.

According to an account in the Los Angeles *Herald Examiner* of September 7, 1975, Hopkins had brought Nelson Rockefeller into the inner circles of the New Deal in the 1930s. Soon after his appointment, Rockefeller, then in his 30's, became a Roosevelt intimate, spending his holidays with the President at Shangri-la, now Camp David. [23]

A. A. Berle Jr. became Assistant Secretary of State for Latin America in 1938, a position from which he could immensely benefit Rockefeller oil and other business interests from Venezuela to Brazil and beyond.

Baruch, Rockefeller, Big Business and Mussolini

Rockefeller's Wall Street interests, Bernard Baruch, and a powerful circle of big business leaders at the time were determined to reorganize the US economy along the centralized corporatist model of Mussolini's fascist Italy. Of course they were politically astute enough not to say so too loudly.

Baruch and his close friend, Bernard Swope, a director of General Electric and of National City Bank, had initially urged President Hoover in 1931 to "stabilize industry" with what they characterized as an emergency program. The aim was to free big business from the restraints of the Sherman Anti-Trust Act, thus opening the door to major consolidation of corporate power during the depression when cheap stock prices made takeovers easy and cheap for those such as the Rockefeller group who were flush with cash. [24]

Hoover, who was ideologically opposed to state intervention, rejected the Swope Plan and Baruch's ideas. When it became clear that Democrat Franklin Delano Roosevelt (FDR) would oppose Hoover in 1932, Baruch and his Wall Street friends quickly ingratiated themselves into the inner circle of FDR, greasing their entry with ample bundles of cash. [25]

Contrary to carefully planted propaganda in the media portraying FDR as the "hero of the little man" who was ready to "chase the money lenders from the temple," Roosevelt was the scion of a wealthy East Coast family, a distant relative of Teddy Roosevelt, and every bit The Man of Wall Street—especially of Baruch, Rockefeller and their group. [26] According to Roosevelt's Secretary of Labor, Frances Perkins,

> *At the first Cabinet meeting following the inauguration of the President in 1933, the financier and Roosevelt adviser Bernard Baruch and Baruch's friend, General Hugh S. Johnson, later to head the National Recovery Administration, came. They handed out copies of a book by Gentile, the theoretician of Italian fascism, to every Cabinet member and we all read it with great concern.*[27]

The same industrial reorganization under state control that Baruch and Swope had unsuccessfully tried to get Hoover to embrace in 1931 was now embraced by FDR.

In May 1933, during his first weeks in office, FDR proposed to Congress the creation of a National Recovery Administration (NRA). It passed with a minimum of debate amid the depression crisis. Its first head was Hugh S. Johnson, associate of and advisor to Bernard Baruch.

The concept of the NRA was largely drawn from the national military emergency mobilization of industry that Baruch and Johnson had administered during the First World War. Ever since then, Big Business and Wall Street had been salivating over the possibility of getting such power over the economy into their hands once again. The Great Depression would be their chance. Johnson would be their man. Within Roosevelt's Administration, Johnson was open about the fact that he saw Mussolini's Italian Fascist corporatism—the merger

of government and corporate power to the one-sided gain of business—as a model for America.[28]

Johnson's NRA organized thousands of businesses under codes drawn up by trade associations and industries, with NRA-approved companies being given the right to display the NRA symbol, the "Blue Eagle."

Guiding policies at NRA was a troika of three extremely powerful industry magnates—Walter C. Teagle, President of Rockefeller's Standard Oil of New Jersey; Gerard Swope, author of the earlier Swope Plan and also President of General Electric; and Louis Kirstein, vice president of Filene & Sons department stores of Boston.[29]

The Rockefeller group, working through Teagle, was able to use its influence over Johnson's NRA to re-centralize the 33 independent companies that had made up the earlier Standard Oil Trust, the combine that the Supreme Court had broken up under the Sherman Anti-Trust Act in 1911.[30] It was only one of a series of moves by the Rockefeller faction as it consolidated its decisive role in United States domestic and foreign policy during the course of the depression and the Roosevelt Presidency.

In 1930 as most banks were struggling to survive, Rockefeller's Chase National Bank was thriving. The bank's head during that time was Winthrop Aldrich, son of Senator Nelson Aldrich of the Jekyll Island secret Federal Reserve meeting of 1910, and brother-in-law of John D. Rockefeller Jr. Chase Bank's most significant acquisition during the first months of the financial crisis in 1930 was the Equitable Trust Company of New York, the largest stockholder of which was John D. Rockefeller Jr. This made the Chase Bank the largest bank in America and indeed the world.[31]

As a result of their dominant position following the decline of the House of Morgan during the depression, the Rockefeller group, in addition to controlling Chase Bank and First City Bank of New York, controlled the largest US oil companies -- Standard Oil of NY (Mobil), Standard oil of New Jersey (ESSO/Exxon), Standard of California (Chevron) and Texaco (The Texas Company).

The Rockefeller group also consolidated a commanding control over the major chemical and defense-related industries, including Allied Chemical, Anaconda Copper, DuPont, Monsanto Chemicals, Olin Industries (Winchester Arms), Shell, Gulf Oil, Union Oil, Dow Chemicals, Celanese, Pittsburgh Plate Glass, Cities Service, Stauffer Chemical, Continental Oil, Union Carbide, American Cyanamid, American Motors, Bendix Electric, and Chrysler. [32] The Rockefellers

also bought up large blocks of stock in General Motors, General Electric and IBM, then a new company.

By the end of the 1930s the Rockefeller group's industrial holdings and banks were uniquely poised to reap handsome gains from any future war. They did not have to wait long.

Endnotes:

[1] Paul Studenski and H. E. Krooss, *Financial History of the United States* (New York: McGraw-Hill Book Co., 1963), p. 353.
[2] Morris H. Hansen, *Statistical Abstract of the United States* (Washington, D.C.: US Department of Commerce, US Government Printing Office, 1946), p. 355.
[3] Kathleen Burk, *Finance, Foreign Policy and the Anglo-American Bank: The House of Morgan, 1900-31*, Historical Research, Vol. LXI, no.145, June 1988, pp. 208-210.
[4] Ibid., p. 209-210.
[5] Peter Collier and David Horowitz, *The Rockefellers: An American Dynasty* (New York: Holt, Rinehart and Winston, 1976, pp. 160-161.
[6] Ibid). p. 161-162.
[7] Kathleen Burk, op. cit., p. 210.
[8] United States Department of the Treasury, *History of the Treasury: Chronology of Events 1900 through 2003*, accessed in www.ustreas.gov/education/history/events/1900-present.shtml.
[9] Ibid.
[10] James Grant, *Money of the Mind* (New York: Farrar, Straus and Geroux, 1994), pp. 227-230.
[11] Ibid., p. 230.
[12] Bernard M. Baruch, *My Own Story* (New York: Henry Holt and Co., 1957), pp. 138-39. Baruch related that, "our firm did a large business for Mr. Harriman...."
[13] Jordan A. Schwarz, *The Speculator: Bernard M. Baruch in Washington, 1917-1965* (Chapel Hill: University of North Carolina Press, 1981), passim.
[14] Ibid., p. 271.
[15] Ibid., pp. 270-276.
[16] Ibid.. p. 271.
[17] Ibid., p. 270-276.
[18] Ibid., p. 296.
[19] F. William Engdahl, *A Century of War: Anglo-American Oil Politics and the New World Order*, op. cit., see especially Chapter 5.
[20] Gerard Colby and Charlotte Dennett, *Thy Will Be Done: The Conquest of the Amazon—Nelson Rockefeller and Evangelism in the Age of Oil* (New York: HarperCollins, 1995), p. 89.
[21] Ibid. pp.88-89.
[22] Anthony C. Sutton, *Roosevelt und die internationale Hochfinanz* (Tuebingen: Grabert-Verlag, 1990), pp. 149-150.
[23] The New York Times, May 20, 1960.
[24] Anthony C. Sutton, op. cit., pp. 149-154.
[25] Ibid., p.142.
[26] Ibid., pp. 142-145.
[27] Frances Perkins, *The Roosevelt I Knew* (New York,: Viking Press, 1946), p. 206., cited in Anthony C. Sutton, op. cit., p.199.
[28] Stanley G. Payne, *A History of Fascism, 1914-1945* (Madison: University of Wisconsin Press, 1995), p. 230, footnote 65.

[29] Anthony C. Sutton, op. cit., p. 153.
[30] Ibid. p. 167.
[31] David Rockefeller, *Memoirs* (New York: Random House, 2002), pp. 124-25.
[32] Gary Allen, *The Rockefeller File*, Chapter Three, accessed in http://www.mega.nu:8080/ampp/gary_allen_rocker/ch1-4.html#ch3.