Global Finance is A Power Game. Political and Financial Alliances, The Big Six Banks

By Nomi Prins and Lars Schall
Global Research, May 19, 2014
goldswitzerland.com/

Region: USA
Theme: Global Economy

Lars Schall talks with former senior Wall Street banker Nomi Prins about her latest book, "All the Presidents' Bankers."

Prins points out how an elite group of men transformed the American economy and government throughout the 20th century, dictated foreign and domestic policy, and shaped world history.

The discussion spans from the panic of 1907 and the creation of the Federal Reserve through 2 World wars, the decoupling of the dollar from gold in 1971, and the question whether American financial power today is in decline.

If the Video appears as unavailable

CLICK HERE

EDITED TRANSCRIPT – Finance is a Power Game

LS: Hi Nomi, Let's talk about your new book. What was the motivation to write the book and what is the main idea behind it?

Nomi Prins: My motivation stemmed from a novel I had written before this book, which was called 'Black Tuesday', a work of historical fiction about the 1929 crash. In order to do the research for that book, which was not as substantial as the research I wound up doing for 'All the Presidents' Bankers' I discovered this meeting that took place at the Morgan Bank on 23 Wall Street, just a quick little walk from the back of the New York Stock Exchange on October 24th, 1929. This was when the stock market was beginning its initial decent, after which it bumped up and down a few times but ultimately lost 90 percent or so of its value over the next few years.

But on that day, there were six bankers, the big six bankers of the time that convened at the house of Morgan under the request of a man named Tom Lamont, who was the acting chairman of Morgan. Jack Morgan, the actual chairman, was over in Europe traveling. Lamont called the five main bankers of the city to come and after a 20-minute meeting they decided after 20 minutes to each put in 25 million dollars to save the stock markets. They all had these secrets that they were hiding in that room, aside from the fact that the market was spinning out of their control. One of the men was Al Wiggin; the head of Chase; he was shorting Chase shares while he was talking about buying them to save the markets. Charles Mitchell was another fellow in that room, who ran National City Bank, which is now part of

Citigroup. He had this deal that he wanted to do – the biggest merger of the time would go through if he could keep his shares up which would be used to pay for the merger. So he really had other reasons to save the markets besides helping the general population from spill-out or the economic fall-out.

That whole meeting and drama of the scene and the way in which these big six decided what to do, and the way that they were supported by president Herbert Hoover was fascinating. After their decision, they were touted in the press, in the New York Times and so forth as having saved the markets again and there was so much congratulation. All of that really stuck with me. And so for the book 'All the Presidents' Bankers' I followed this idea of the big six; the today we have big six banks again, as well as we did before the crash of 1929. Six banks in the US controlled much of the financial markets, and not just from a wealth and power perspective; for there was a political financial line that could be drawn around bankers and presidents during that time, and today.

I started examining this through the presidents' perspective – which bankers they had relationships with, that they trusted to fix the country, that they hung out with socially, that they went yachting with, that they were in clubs with, that they went to Ivy League universities with and so forth. This is how I further shaped the idea and research for this book, which took me to all the presidents' archives around the country, from Teddy Roosevelt, who was the president during the panic of 1907, which is where I start the book, through Barack Obama who does not have an archive yet because he is still in office, and all the documents in between I could find.

LS: You have mentioned 1907, and the most dominant banker back then was John Pierpont Morgan. Was he basically the representative of the City of London and British banking on Wall Street?

NP: He was the one who had the closest ties, both from a personal standpoint and from the fact that the Morgan Bank had ties with the City of London as well as Paris. At the time they had companies that they were associated with in both of those cities. As for the background to the panic of 1907, it was a huge bank panic in the United States, people particularly in New York were rushing the banks to get their deposits out because there was a confidence problem and a larger banking crisis brewing. Teddy Roosevelt was scared that that it would spill into a larger economic crisis for the country. He called upon J. P. Morgan to fix the situation; this was in 1907, 22 years before the crash in 1929 where his bank was also at the center. Morgan certainly represented international interests with respect to the US financiers; he was the most powerful, most international of the US financiers, but he was also very deeply concerned about his growth in status in the United States. After that point there was much more growth for the Morgan bank after World War I and World War II.

Even before the panic in 1907, in the 1890s, it was the Morgan family – and this is one of the other large themes of my book, that not just individuals controlled the political/financial alliances and policies of the US domestically and globally, but these are a small handful of elite families that have retained power for decades, for over a century, whose legacies continue to maintain that influence and power. The Morgan family was certainly one of the main families that did that. In the 1890s one of the Morgan's, J.S. Morgan had helped save the City of London financially when the Bank of England could not do it. So this idea of the private banker saving other private bankers, both internationally as well as domestically, was born a little bit before my book but certainly continued into the 20th century.

LS: If I asked you related to the panic of 1907 cui bono, what would be your answer?

NP: The real benefactor of the panic of 1907 was J. P. Morgan, of course, who ran the Morgan Bank at the time and was the key influencer and economic confidante of president Teddy Roosevelt, who gave him the power and the decision making ability backed by the White House and the Treasury Department to decide which banks would live and which banks would die during the bank panic of 1907, which is what Morgan did. He chose to support the banks that were related to him in some manner, whether they were run by his friends or associates or relationships or in which he just had financial interests. After the panic of 1907 it was really the Morgan family, the Stillman family, who were running National City Bank, the Bakers, who were running First National City Bank, (and those two banks ultimately became what we know today as Citigroup, which is one of the big six banks today, as of course Morgan still exists today in the form of J.P. Morgan Chase, another of the big six banks.) The benefit was really to Morgan and helped make him confident to steer the ship for the establishment of what became the Federal Reserve that became THE bank for the big banks.

LS: How was the panic of 1907 used by Morgan and Rockefeller interests to create the Federal Reserve?

NP: That is a very interesting question. What happened was – even before the panic – these financiers; the new power league in America, wanted to find a way to push forward into what I call the age of financial capitalism – though they did not call it that. The idea was that you could make money now out of money as opposed to just having it be connected to industrial interests like steel and oil – although the Rockefellers had made a substantial amount of money and would continue to do so with the Standard Oil Company and other interests. But they, particularly William Rockefeller was looking for a way of making money for the sake of making money and becoming part of one of the "money trusts" in the early 1900s.

After the panic of 1907 J. P. Morgan and to a lesser extent Rockefeller – the Rockefellers were not involved in the actual meeting that took place at Jekyll Island although William Rockefeller did have a membership at the Jekyll Island Club at the time. There in a meeting that took place in 1910, six men met to bang out the blueprints for the Federal Reserve. They included a fellow from the United States Government, Senator Nelson Aldrich, who was a Rhode Island senator and very connected to the banking community. He knew Morgan; he knew the Rockefellers and so forth. And he and one of his assistant treasury secretaries met with four bankers, Frank Vanderlip, Henry Davison, Paul Warburg and Benjamin Strong, all whom were connected to Morgan. It was J. P. Morgan's membership as I talk about in the book that allowed them to even meet at Jekyll Island. It was a very exclusive club at the time; you needed to be a member. None of these people were members and J. P. Morgan was not at the meeting that took place.

In fact, and this is sort of where the Rockefeller contingent comes in on the outside of that, Nelson Aldrich was not even planning on going or asking about going to Jekyll Island; he wanted to have these meetings in his Rhode Island estate to still get away from the public but also to be in his own estate, which was north of New York and certainly north of Georgia, which is where Jekyll Island is. But he wound up getting hit by a trolley car in Manhattan, in New York City, while he was visiting there to talk to Morgan and some other people about this whole idea. So he was convalescing; he was not sure he was going to go anywhere and that was when J. P. Morgan suggested he go to this area to get this done, and gave the invitation. A lot of arrangements were made on Jekyll Island to have these people come because it was still November; it was not in season yet. Jekyll Island was into season in December and January, when all the rich families would come down for the holidays and all the rich men would talk and all the rich ladies and children would sort of hang out and play.

But this meeting happened because of J. P. Morgan and also Nelson Aldrich, whose son Winthrop Aldrich became a head of Chase Bank for two decades, and whose great-nephew, David Rockefeller, became also the head of Chase for two decades, and whose other great-nephew, Nelson Rockefeller, became the four-time governor of New York City. So this family line that started from this Federal Reserve period was evident more recently as well.

The bankers' interests were to make sure that in a panic situation there would be a Federal Reserve that would back the banks so that there would not be a greater crisis, and that they would not have to put up their own money or scrounge around to figure out how to save themselves or to save their system. That was the impetus for the Fed – to have a consolidated entity that could also create currency that could back them in times of panic. And from the American government perspective, from William Taft, who was the president after Teddy Roosevelt and Woodrow Wilson, who was the president after him – they both believed that a Federal Reserve was required to basically – and this is not what is discussed in history so much but it is in my book – to promote American power into the new century. This idea of having a competitive central bank that was aligned with the private banks was something that was very important to these presidents of both parties; both of whom had very strong personal connections to the Morgan's, to the Aldrich's and to the Rockefellers and to other families that were operating the money trusts at the time.

LS: Was the creation of the Fed a conspiracy?

NP: It is not a conspiracy, but a fact that Wall Street was behind the Fed; these are real people from real Wall Street who had a real meeting who worked with Nelson Aldrich, the head of the Senate Finance Committee for two years, gathering information together and traveling in Europe to determine how the make-up of the banks in England and in France in particular could be used for the blueprints for the Federal Reserve. James Stillman, who was one of the money trust leaders and a friend of Morgan and the Rockefellers and running National City Bank, which was one of the largest banks in the country at the time, (Citigroup today) traveled for months with Nelson Aldrich in Europe over a period of two years, before that Jekyll Island meeting. So it is not a conspiracy; this is documented fact.

The fact that there were four bankers and two people from Washington at the Jekyll Island meeting itself is also not a conspiracy; it is fact. Also it is a fact that– because as I mentioned, Nelson Aldrich had been hit by this trolley car and he was still not in the best of health after the Jekyll Island meeting; when he was supposed to present the report of that meeting to Washington, it was instead presented by two bankers – Frank Vanderlip, who was the number two guy at National City Bank, who worked for James Stillman, as well as Henry Davison, a senior partner at the Morgan Bank. This is not a conspiracy, this is just what happened.

LS: Yeah, but did those people at the meeting at Jekyll Island conspire with each other to get the Federal Reserve created?

NP: There was nothing to conspire about, it was far easier than that in practice. These men worked together to create the Federal Reserve because they wanted it: Washington wanted it, so did the leaders of Wall Street. They were all on the same page, so there was no need for anything conspiratorial; they collaborated.

LS: But the public was not allowed to know this, right? And they were very careful that the public did not find out about it.

NP: Oh yes, absolutely. But I think when the term ‘conspiracy’ gets batted around, you know, it has this darker context like did this happen this way, did it not happen this way, were they trying to get together to take something away from the public? But no, they were not; they were just trying to protect their own interests because they could. The public was not involved politically in any manner that would get in the way of the design of the Fed, but the public generally isn’t allowed into decisions of Washington or Wall Street or anything related to these power relationships.

What I write in the book is that there were a lot of conversations that took place under the Taft administration, in the 1910 period and towards 1913, when the Federal Reserve was passed and signed upon in December 1913. During the later years under the Woodrow Wilson administration, many conversations happened about the Fed make-up occurred in Washington as they do today where senators and bankers and presidents have conversations, have midnight meetings, decide how structures should be implemented and what is going to get signed, and how it is going to get spun to the public. So if you think of that as a conspiracy, all of government is a conspiracy.

But the reality is, this is how these men operate because they could. The idea was mainly how it would succeed and in what format. And when after the Federal Reserve Act was passed by Woodrow Wilson, he sold it to the public as a Reserve Bank that would help provide credit to the general public, to small farmers, to small banks, that would help America in general by providing credit to the system when there are negative financial situations going on.

But the reality is that from its beginning the Fed was fashioned to protect the largest, which also happened to be the most powerful politically, socially and personally connected institutions in the United States, and that is how it has continued to operate. That is why it has preserved all the mergers that have happened over the century since; that is why it has provided liquidity at a benefit towards the largest banks; and that is why today the big six banks are larger – they are not all the same six banks as back then, but they are larger derivations of them – and they are larger than they have ever been before, and they have more Federal Reserve subsidies than they have ever had before; and the Federal Reserve has a larger book than it has ever had before. All this has culminated over a century; some of it has been open in that we see the results.

LS: Does the US need the Fed?

NP: The US banking system needs the Fed because without its subsidies it would have probably failed many times over the years, certainly over the recent years. But again it is really important to know that this is one of the main themes of the book that … from the beginning of the Fed, they needed the Fed. So the Fed is as much a bank for the banks as it is a political instrument of financial power for the government. The government believes it needs the Fed to subsidize and to save the largest institutions that are integrated in so many different ways with the government as well. These banks deal with the public, we give them our deposits, taxpayers subsidize their failures and their bailouts. But at the same time the philosophies of the political and financial elite members of America are aligned behind the Fed.

So do we need the Fed? The public does not need the Fed. The activities that the Fed provides that relate to the public such as maneuvering interest rates or so forth could be done by the Treasury Department, although the Treasury Department is equally subsidizing and has politically, personally, socially, and financially supporting the big banking institutions as well. Yeah, it is useful to have one entity to maintain rates but that is not really what the Fed does as its full job; what it does and what it has done is subsidize a faulty banking system in disguise of regulating that banking system and protecting the overall credit availability to the country, over which it really has had no power. That was one of the lies under which it was created back 100 years ago.

LS: And has the Fed not become an international bailout bank?

NP: Well yes, because of the whole globalization of finance, in different ways, over the past century. The American banks are not the only banks that are at risk, for financial crises. These crises are increasingly global and will be so in the future. So when the Fed decides to protect the big American banks, it has to protect their largest counter-parties which due to the nature of globalized finance include European banks, they are going to include Asian banks, they basically include any of the major counter-parties of the big six banks. But not only that – the policies of the Fed themselves – aside from the subsidies, but the i*dea* of subsidizing and philosophy behind it has globalized, too.

The Fed has pushed its policies, as we have seen over the last few years, into Europe. So now you have effectively zero interest rate policy throughout Europe along with the subsidizing and bailing out and artificial fortification of all the larger institutions at the expense of the smaller institutions and fortification of the larger countries at the expense of the smaller countries. This is an institutionalized policy that the Fed is promoting, so is the Treasury Department and the government of the United States. You know this is a collaborative promotion that has become global as well.

LS: Because it is 100 years now since the outbreak of World War I, what has to be said about big banking on Wall Street and the slaughter that went on in Europe?

NP: Again it ties back to the Morgan Bank and the Morgan family. When Woodrow Wilson was contemplating not involving the US in the war originally, he had a meeting at the White House, and it was a very interesting meeting because he had campaigned on a platform of being separate from the big banking interests, which were called the Money Trust at the time. But he was really friends with the Morgan's; the family had supported him before he became president and into his presidency as well.

This meeting that he had in July of 1914 at the White House was criticized by the press because it was odd to them that Morgan was visiting the White House after Wilson had publicly campaigned against the banking interests. But it turned out that Morgan was talking to Wilson about financing a war. And in fact, when the war started, and the United States immediately was financing the French and the British, it was because of the push of the Morgan Bank to do that, and through the course of the war, the Morgan Bank financed or directed the financing of 75 percent of all the private moneys and investments that went into the US war effort and to the allies of the US. There was a very strong collaboration at that point between the Morgan Bank organizing the other banks and Woodrow Wilson into the war. They are very directly related because without money countries do not tend to be able to go to war.

LS: Was the Treaty of Versailles beneficial to big banking on Wall Street?

NP: What happened in the Treaty of Versailles, and there was a Morgan partner who was active with Woodrow Wilson when the treaty was being negotiated and signed, a man named Tom Lamont, who was involved in the Morgan Bank for decades afterwards as well. In 1919, he was instrumental in negotiating reparations that would become part of the Treaty of Versailles. One reason for that was that it was important for the banks, the big banks in particular, to have some sort of stability in Europe so that they could basically get involved in investments, in rebuilding infrastructure in Europe. And they would finance infrastructure and reconstruction on all sides of the participants in the World War.

They benefitted from that because they were able to expand their reach and their business into Europe in a way they would not have been able to do before the war; so the treaty itself in the end of the war was very helpful. Now of course the treaty ultimately was not helpful enough, because we did have a second war after that, after the great 1929 crash and the great depression, through which the bankers continued to push the US government to help fund some of the countries with whom they also were doing private financing in order to continue to do that private financing. There was a series of agreements after the Treaty of Versailles that the bankers were involved in because the Treaty of Versailles was not really working well enough, where they were still able to push for US government financing of certain restructuring in Europe so that they could piggy-bank upon that and again increase their own financial reach into Europe.

LS: Was the Federal Reserve a crucial factor in creating the Great Crash of 1929?

NP: It was not as great a factor then as the Fed pushing cheap money into Wall Street today. But it was a factor; in fact, one of the Big Six bank heads, Charles Mitchell was also a New York Federal Reserve Class A director, and chairman of National City Bank. While the markets were starting to falter in the early part of 1929, he pushed the whole Fed to reduce interest rates to allow for cheaper money and liquidity into the system because he knew from his own bank's books, and from his business dealings that things were deeply problematic.

So in a way the Fed's moves might have exacerbated the intensity of the crash but it was really the maneuvers of the largest banks that were the main cause. They had been getting involved in all sorts of speculation after World War I, because the three presidents in the United States after World War I, Warren Harding, Calvin Coolidge, and Herbert Hoover, had a very hands-off policy to the types of speculation these bankers could engage in and they definitely engaged in a lot. So was the Treasury Secretary at the time, Andrew Mellon, who was himself a crook; he was a millionaire, an industrialist, and had run a bank as well. He ultimately left in disgrace from the Hoover administration because of allegations of various types of tax evasion and using the tax policies he was creating to help himself in this whole bubble of speculation. So really everyone was involved.

LS: Did the policies of the Fed do any good during the Great Depression?

NP: Again not really. The main policy that helped during the great depression was the Glass-

Steagall Act, and the confidence it instilled with the US population for the banking system because that act separated speculative activities from depositors' money as well as the potential for people in the country, for tax payers, to have to shoulder additional risks with respect to what the banking industry was doing.

The Federal Reserve today talks about the Federal Reserve back then as being involved in helping the great depression (though Ben Bernanke contended it should have helped more quickly) but the reality is, it was not as evolved as it has become today; it was not quite mature enough, the Fed. So a lot of what was going on had to come from legislation, it had to come from leadership, it had to come also from the ground up and one bank leader in particular, the chairman of Chase, under FDR, Winthrop Aldrich, was a friend of FDR's and worked with FDR to push and promote and endorse the Glass-Steagall Act because he believed it was important for the nation and for confidence in banking in general to have a more safe and stable system.

LS: Why has there been a power shift from Morgan to Rockefeller taking place during and after World War II?

NP: As I mentioned that before, the Morgan Bank had been the pre-eminent financer, commanding 75 percent of private financing, into World War I, and very closely connected to Woodrow Wilson and to the Treasury Secretary at the time. It was very involved in the decisions that Washington made on financing the war bond effort throughout the United States to raise additional funds and so forth. But by the time World War II came along – Chase (which was more of a Rockefeller bank) because of Winthrop Aldrich, the chairman of Chase who was friends with FDR, pressed a shift to financing the war from the Morgan Bank.

So the Liberty Bond effort, or the War Bond effort for World War II in the United States, really was led by Aldrich, as well as National City Bank, the other big bank, lead by chairman James Perkins, and after he died, by a couple of other executives including a man named Randolph Burgess, who had been a New York Fed director before becoming a senior vice president at National City Bank had a very close relationship with FDR's Treasury Secretary Morgenthau.

These stronger relationships with the FDR administration, and the Truman administration, and the Eisenhower administration started to tilt toward Chase and National City. Also, those banks had a different model than the Morgan Bank, which is they use individual people's money in the war drive and they would ask people to open accounts with them and also to buy war bonds at the same time. Thus, throughout the war they were gaining customers, which also helped their strength afterwards since it gave them more capital for the future as well as being intricately involved with Washington, the war bond effort, and private financing efforts. And so the balance tilted from a relationship as well as due to the philosophy of getting individuals on the ground to participate more.

LS: How did financial power shape the world order after World War II?

NP: After World War II when Truman was president and the World Bank had just been created through the Bretton Woods Agreement along with the IMF and so forth, there was a man named John McCloy who had been the Assistant Secretary of War under FDR, and has also been a private lawyer and worked very closely with the Rockefeller family, with Nelson Rockefeller and later David Rockefeller. After World War II, he was asked to become the second president of the World Bank. When he accepted that position he did it with one stipulation – that Wall Street would be the engine that distributed bonds that funded many World Bank initiatives. So he requested something outside of legislation because of conversations he had with Truman's Treasury Secretary – that Wall Street would be really the decider of what countries the World Bank would support.

These countries were capitalist countries and into the Cold War the capitalist countries got better deals. The Eisenhower administration would fund the countries that were most aligned with the ideals of John McCloy who became the chairman of Chase later on, as well as other bankers of the time. So a lot of what happened militarily as well as financially in terms of America's expansion after World War II and through the Cold War was this alignment of financiers having military backing from the United States and this ideological backing in the United States government wanting the bankers to expand branches into the countries in which they had footholds as well. There was this mutual alignment as America was growing its super power status, politically and financially, after the war. The World Bank and IMF were just components, or instruments, in that growth.

LS: One part of the Bretton Wood system was that the US Dollar was almost as good as gold. Why did so many prominent US bankers advocate ending the gold standard in the late 1960s, early 1970s? Could it be that the gold standard serves as an effective check on the growth of excessive financial sector growth and abusive banking practices??

NP: Oh, gold absolutely was a more effective check on excessive financial growth and abuses. Gold was effectively a regulation in a way. It did restrain bankers' expansion because they had to have a certain reserve amount set aside and with a real asset that other World participants were involved in as well. Because of this, US bankers' had less control of the movement of gold in and out of their firms. Once they convinced the US government to get off of the gold standard and away from this requirement that gold back transactions or speculations or expansions, they then had access to a whole new level of expansion.

That is why today, they much prefer having zero interest rate money, cheap money, so they have less barriers to their activities. This is part of the same pattern and logic of getting off the gold standard – they prefer the less constrained path to speculation. There was a tremendous expansion globally of the US banking interests, which had already started, after the wars, but increased after the gold standard was eliminated because it was just easier to do. There just less barriers for the bankers. They advocated very publicly that the gold standard be removed and in fact, when Nixon finally announced this in '71 he did not come up with the idea himself; it was something that Walter Wriston, who was chairman of National City Bank and David Rockefeller, who was chairman of Chase and advocated very strongly through letters and correspondence and other types of personal conversations that I discuss in my book.

LS: Do you think that gold will have a future in the monetary system?

NP: I think there is certainly a ground full of people who want that in countries outside the US because of how the financial system has evolved globally; the US banks in particular have so much power, politically and financially. Politically because of their alliance with the US government and financially, because of how much they leveraged cheap capital without reserves like gold behind it.

But that is also the reason why I think it is going to take a very major shift in power, political and financial power, to have gold really … have that kind of future -because these bankers are going to be fighting it tooth and nail. These institutions, these relationships that they have with leadership in Washington, with the Federal Reserve, reveal how a tremendous amount of might has gone into not having gold backing speculative transactions and expansions throughout the world.

So I think it is going to be a very tough battle for gold to make a comeback as an actual requirement to back speculation. It is going to be a very long haul if it is possible at all, given the opposition from a very strong concentrated and powerful political and financial alliance in the US.

LS: One thing that sustained the US Dollar after the early 1970s was the fact that oil was only sold in US Dollars. How did the petro dollar change in the 1970s the relationship between Wall Street and Washington??

NP: That is an excellent question because the history that I traced back from the early 1900s through the 70s is a history of very close relationships, family ties and societal associations between bankers on Wall Street and leaders in Washington being primarily on the same page policy wise. But by the time the bankers discovered that they could be involved in recycling petro dollars, the money that was made in dollars off of the oil profits in the Middle East, they started to fragment from having to even pretend to be aligned with US policies that helped the national population at home or people globally.

All of a sudden they had this outside source of tremendous profitability and capital that they then recycled into debt into Latin American countries where they had wanted to expand but now they had this additional capital with which to do it. They started to detach from aligning with the government, except where it suited their own interests exclusively, even though they still have tight ties with the elite members of the US government and continue to push for their own interests today. Additionally, the pre-1970s accountability has declined as recklessness has increased in the most powerful Wall Street banks and bankers.

LS: Yeah. One illustration might be the following: In your book you are writing about the revolution in Iran in 1979 and how that was caused in part by very selfish action undertaken by David Rockefeller. Could you tell us about this please??

NP: Yes, I spent a lot of time at all the libraries of the presidents in my book, but at Jimmy Carter's archives, in Atlanta, Georgia, they have a system called the RAC system, which has many files, particularly national security files that have recently been unveiled. Through tracing those it was evident that there was a lot of tension in Washington over the relationship that David Rockefeller had had with the Shah of Iran before the Iran crisis, during the Iran hostage crisis, but also after that, when Chase unilaterally chose to do something very ballsy, at the bequest of David Rockefeller, which was to not accept an interest payment from the Central Bank of Iran. Chase decided this without consulting a syndicate of lenders for this loan, including European lenders as well as US lenders, and after not accepting that interest payment, they then declared the bank in default.

This was the first default that had ever occurred for the Iranian Central Bank, it really heightened the tensions over what was happening with the hostage crisis and in general relationships between the US and Iran. Even at the end of the hostage crisis the agreement to release the hostages came down to receiving a lot of the moneys back that had been sequestered by Chase and other banks and this continued in the last moments before the release of the hostages, which happened under Ronald Reagan's administration and not Carter's. There was a lot of activity between the banks involved about changing numbers and not trusting numbers on one side from the US relative to Iran and so forth.

It is a very intricate story but basically it does show that David Rockefeller's relationship with the Shah was part of why the hostage crisis even happened, and the fact that it went for so long, in particular the negotiations at the very end that came down to money. These were problems caused by Chase and other banks that delayed the entire thing.

LS: Let's go fast forward. Do you see the US financial power on the globe in decline?

NP: I don't because – and this is different from what a lot of my contemporaries are saying – because of this power alliance that exists, because of the tightness and the historical connections between the White House and the most powerful players and institutions and legacies on Wall Street. There is so much at stake for both sides, and there are such epic subsidies thrown at keeping the financial system as it is because it reinforces the power of the Washington government and vice versa.

This is why the government allows these major bankers and institutions to get away with what they do and subsidizes them to the extent that it does. These banks are being artificially propped up because of subsidies and not by their own inherent profitability. This is a very dangerous position that they are in, and that they place all of us in. The Fed hold 4.2 trillion dollars of securities on its book, due to an epic level of bond purchasing, in addition to pursuing a zero interest rate policy for nearly six years now in the wake of the 2008 crisis.

This is just another indication of how much might, how much power, how many dumb, but real decisions, are being made in Washington to maintain this power alliance. I don't think there is any other nation in the world right now who has such a strong and historic connection between its politics and its banking system, and that is why the US continues to do what it does and make these decisions and allow impunity for these individuals in this power game. I think that as long as there is so much subsidization and so little accountability of the banking system, US financial power will be maintained. It is a bad way of maintaining power, but I think that is what we are seeing right now and will be.

LS: One spontaneous question: Do you think the intelligence agencies of the US are also involved in this; in sustaining the financial system in the US?

NP: It is not really something I researched in my book and it is really a whole other can of worms. But intelligence systems in the US form part of the glue between – from a technology perspective – the glue between finance and government. National security policies in general have been aligned with the policies of expansion of banks for decades. And as I mentioned before regarding analyzing the 70s, those were national security records that I was looking at, not Treasury records, to figure out what had really gone on during the Iran hostage crisis; so I am sure as the years go on we will see more documents, that will show a strong alignment of more recent national security initiatives with political and financial elite.

LS: What do see as the end game of the ongoing financial crisis and how can people prepare for it?

NP: That is also an excellent question. The end game is the game that we are in now. The major financial players, have in the wake of the 2008 crisis, been ridiculously subsidized by governments, predominantly in the US as we have been talking about, but also in Europe – the ECB has made some record types of decisions to maintain the largest banks in Europe and to help them.

I see this continuing, and the result will be more concentration and consolidation at the hands of the biggest banks and the biggest bank leaders than we have never had before. In the US, for example, the big six banks today have more assets, more deposits, and control more derivatives than in any other time in US history. As such a small group of individuals and institutions control so much capital and implicitly those connections to the political elite as well, this game continues; this concentration of greater power and capital continues.

Where does that goes? I mean it has so far continued to go in the wrong direction with respect to a stabilizing situation for individuals. So how do we protect ourselves? We can minimize the money that we keep in the largest banks. Even if we have mortgages in those banks, we can try and still minimize the other amounts of capital that we involve because that is a way to at least be partly outside of this rigged system a little bit. I think that is important. We have to realize that the euphoria of this supposed recovery that we have been hearing about since 2009 is really a manufactured recovery on the back of zero percent interest rates and epic bond buying program and all the other things that are going on behind the scenes between political leaders and bank leaders that maintain the appearance of health but are really a manipulated appearance.

LS: One final question: Why did you give up your career in banking, Nomi?

NP: I was done with it and this was over twelve years ago now. For me it was a decision that had been brewing already and in 2001, it was a combination of the Enron scandals, WorldCom, 9/11, you know, I had been in banking for a while and seen a lot of things change in the time that I had been there, that fueled my own disillusionment with the types of people that were rising in the institutions. It was all deeply distasteful: the level of secrecy, the level of just sheer – not just greed – but this denial of transparency to costumers or clients or investors of the transactions and securities being created and what the downsides of those transactions were. When I first started on Wall Street it was more important for us to show clients what the downside of any particular trade would be. You know, if you buy this, if you sell this, if you do this combination, this could happen in an adverse scenario. But that became something of less and less interest within banking. The credit derivatives market, of course, was blowing up at the time that I was leaving the industry.

I warned about what would happen when I became a writer; in my very first book, 'Other People's Money' that came out in 2004, in the wake of Glass-Steagall appeal if we did not get Glass-Steagall back, if we continued on the path of credit derivatives and CDOs and using loans to line faulty securities – that it was going to create a large crisis, and it did. I still believe it will again. What I do now is try to do is alert people as to what is happening using the experiences that I gained while I was there. The disillusionment and criticism that I felt when I left, I have kept. And I think I have been proven right publicly as well. Plus, I have a much better life as a writer than I did as a banker because I am much clearer with my own conscience as well.

For the new book by Nomi Prins, "All the Presidents' Bankers: The Hidden Alliances that Drive American Power," April 2014, Nation Books.

Nomi Prins, who grew up in the US state of New York, worked after her studies in mathematics and statistics for Chase Manhattan, Lehman Brothers, Bear Stearns in London and as a Managing Director at Goldman Sachs on Wall Street. After she left the financial industry in 2001/02, she became an outstanding financial journalist who has written by now five books including: "It Takes a Pillage: Behind the Bailout, Bonuses, and Backroom Deals from Washington to Wall Street," that was published in September 2009 by Wiley. Furthermore, she is a Senior Fellow at "Demos" in New York City, gave numerous interviews to international outlets such as BBC World, BBC, Russia Today, CNN, CNBC, CSPAN and Fox, and her articles appear in The New York Times, Fortune, The Nation, The American Prospect and The Guardian in Britain. The website of Nomi Prins can be found here: http://www.nomiprins.com/. She lives in Los Angeles, USA.

Click the link to see the 2011 interview from Lars Schall with Nomi Prins on behalf of Gold Switzerland, "Market Manipulation and the Second Great Depression".

Comment on Global Research Articles on our Facebook page

Become a Member of Global Research

Articles by: Nomi Prins and
Lars Schall