

The abuses of the Federal Reserve System

Louis T. McFadden (1876-1936): An American Hero

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Global Research, July 22, 2008

22 July 2008

Region: [USA](#)

Theme: [Global Economy](#)

Dr. Ron Paul, the Republican candidate for the 2008 presidential nomination, is not the first U.S. politician to point to the abuses of the Federal Reserve System and call for its abolishment. Similar pleas to get rid of the Fed were made by Reps. Wright Patman (1893-1976) and Henry Gonzales (1916-2000), both Democratic congressmen from Texas and chairmen of the House Banking Committee.

Few recall, however, how controversial the Fed was when it was first proposed and then maneuvered through a recessing Congress just before Christmas 1913. Rep. Charles Lindbergh, Sr., R-MN and father of the future aviator, called the Federal Reserve Act “the worst legislative crime of the ages.”

But the strongest opposition came later, during the Great Depression. The source was Rep. Louis T. McFadden, a Republican representative from Pennsylvania who, as a former bank cashier and president, knew the financial system intimately.

McFadden was born in Granville Center , Bradford County , Pennsylvania , on July 25, 1876, just three weeks after the nation celebrated its centennial at the Philadelphia Exposition. He graduated from Warner’s Commercial College in Elmira , New York , and went to work at the First National Bank of Canton , PA , in 1892.

McFadden was elected to Congress in 1920 and served until 1934. Though a Republican, he moved to impeach President Herbert Hoover in 1932 and introduced a resolution to bring conspiracy charges against the Board of Governors of the Federal Reserve.

He also made a 25-minute speech on the House floor accusing the Federal Reserve of deliberately causing the Depression. At the time, the chairman of the Federal Reserve Board was Eugene Meyer, who resigned after Franklin D. Roosevelt was inaugurated as president in 1933 and purchased the *Washington Post* at a bankruptcy auction.

Later in 1933, McFadden introduced House Resolution No. 158, Articles of Impeachment for the Secretary of the Treasury, two assistant Secretaries of the Treasury, the Board of Governors of the Federal Reserve, and the officers and directors of its twelve regional banks. This was McFadden’s political swan song. In the election of 1934, he lost his reelection bid to a Democrat by 561 votes.

Let's fast forward to 2008. We are in the early stages of an economic collapse that *Nouriel Roubini, professor of economics at the NYU Stern School of Business, calls "the worst financial crisis since the Great Depression."*

Once again the Federal Reserve is implicated, this time for having enabled the creation of gigantic investment bubbles in home mortgages, commercial real estate, equity funds, hedge funds, and derivatives that are now bursting. Mayhem is now starting to be sown within the producing economy of working men and women after having wreaked devastation on Wall Street and within the banking industry despite massive Federal Reserve bailouts over the past year.

The chief culprit would appear to be Alan Greenspan, chairman of the Federal Reserve from 1987 to 2006, who presided not only over the ongoing subprime mortgage fiasco, but previously over the dot.com bubble of the 1990s. This blew up when the stock market crashed in 2000-2001, obliterating \$6 trillion of investor wealth.

The subprime conflagration of the 2000s was ignited by an orgy of application fraud that commenced just after George W. Bush became president. According to former New York Governor Eliot Spitzer, the investigation of this fraud by state attorneys-general was blocked by Bush's Treasury Department.

Perhaps Louis T. McFadden was onto something. After his premature death, his words faded into history as he was derided for being anti-Semitic when he said such things as, " America has to choose between God and the money changers who have unlawfully taken our gold and lawful money into their possession." Today he is dismissed, sneeringly, as "one of the heroes of the Federal Reserve conspiracy theorists." (Edward Flaherty, PublicEye.org)

But maybe McFadden said some things that are still worth listening to. In his June 10, 1932, address on the House floor, he declared, as reported in the Congressional Record:

"Mr. Chairman, we have in this country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board and the Federal Reserve banks. The Federal Reserve Board, a Government board, has cheated the Government of the United States out of enough money to pay the national debt. The depredations and the iniquities of the Federal Reserve Board and the Federal Reserve banks acting together have cost this country enough money to pay the national debt several times over. This evil institution has impoverished and ruined the people of the United States , has bankrupted itself, and has practically bankrupted our Government. It has done this through defects of the law under which it operates, through the maladministration of that law by the Federal Reserve Board, and through the corrupt practices of the moneyed vultures who control it."

Remember, this was a former bank president and member of the Republican Party speaking! McFadden added:

"From the Atlantic to the Pacific our country has been ravaged and laid waste by the evil practices of the Federal Reserve Board and the Federal Reserve banks and the interests which control them ... This is an era of economic misery, and for the conditions that caused that misery, the Federal Reserve Board and the Federal Reserve banks are fully liable."

Further statements by McFadden in his House speeches may be found at: <http://home.hiwaay.net/~becraft/mcfadden.html> As we watch today with dismay while the U.S. dollar shrinks in value and foreign investors continue to buy huge quantities of federal government debt, we might recall McFadden's words from a 1934 speech:

"The Fed Note is essentially unsound. It is the worst currency and the most dangerous that this Country has ever known. When the proponents of the act saw that the Democratic doctrine would not permit them to let the proposed banks issue the new currency as bank notes, they should have stopped at that. They should not have foisted that kind of currency, namely, an asset currency, on the United States Government. They should not have made the Government [liable on the private] debts of individuals and corporations, and, least of all, on the private debts of foreigners."

Of the twelve regional Federal Reserve Banks, or corporations, McFadden said in words that also prefigured the life-and-death stranglehold the Fed has over every aspect of the U.S. economy today:

"The imperial power of elasticity of the public currency is wielded exclusively by the central Corporations owned by the banks [i.e., the regional Federal Reserve Banks.] This is a life and death power over all local banks and all business. It can be used to create or destroy prosperity, to ward off or cause stringencies and panics. By making money artificially scarce, interest rates throughout the Country can be arbitrarily raised and the bank tax on all business and cost of living increased for the profit of the banks owning these regional central banks, and without the slightest benefit to the people. The twelve Corporations together cover and monopolize and use for private gain every dollar of the public currency and all public revenue of the United States . Not a dollar can be put into circulation among the people by their Government, without the consent of and on terms fixed by these twelve private money trusts."

In language that suited the 1930s but are also prophetic of our own disjointed times, McFadden summarized his outrage by saying:

"Are you going to let these thieves get off scot free? Is there one law for the looter who drives up to the door of the United States Treasury in his limousine and another for the United States Veterans who are sleeping on the floor of a dilapidated house on the outskirts of Washington ?"

McFadden may have paid with his life for his outspokenness. After he lost his congressional seat in 1934, he remained in the public eye as a vigorous opponent of the financial system; that is, until his sudden death on October 3, 1936, of a "dose" of "intestinal flue" after attending a banquet in New York City.

Reporting his death in its October 14 issue, *Pelley's Weekly* stated that it had "became known among his intimates that he had suffered two [previous] attacks against his life. The first attack came in the form of two revolver shots fired at him from ambush as he was alighting from a cab in front of one of the Capital hotels. Fortunately both shots missed him, the bullets burying themselves in the structure of the cab."

Next, 'He became violently ill after partaking of food at a political banquet at Washington . His life was only saved from what was subsequently announced as a poisoning by the presence of a physician friend at the banquet, who at once procured a stomach pump and

subjected the congressman to emergency treatment.'

Evidently the third time the assassins succeeded, and the most articulate critic of the Federal Reserve and the financiers' control of the nation was dead. He was 60 years old.

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