THE REVEREND COUGHLIN'S ACCURACY OF STATEMENT

1. "The $34 billions of national debt borrowed from the privately-owned Federal Reserve banks is an enormous debt for you and your children to repay double through interest. $18 billions of New Deal debt obtained from the same source simply means that while the laborer and dolester are suffering the ravages of depression this privately-owned Federal banking system is enjoying the most lurid prosperity of its checkered career." (Lecture December 8, 1935).

Comment: On December 31, 1935, the national debt was $30½ billions (Daily Treasury Statement). The amount held by the Federal reserve banks and the member banks was $13 billions. The increase in the Federal reserve and member bank holdings from December 31, 1932 was $4½ billions (Member Banks Call Reports)

In 1935 the Federal reserve banks earned in excess of expenses and the fixed dividend, $932,000. Any surplus of the Federal reserve banks accrues to the United States Treasury upon the liquidation of the banks. Member banks earned $212 million or 4.14 percent on their capital funds. (Annual Report of the Board of Governors, 1935)

2. "Do you realize that our national debt is approximately $30 billion? Do you realize further that approximately 60 percent of this debt is owned by the Federal Reserve banks and their affiliates?" (Lecture May 26, 1935)

Comment: The national debt was $28,700 millions on May 26, 1935 (Daily Treasury Statement). The Federal reserve banks and the member banks held 42 percent of this debt on March 4, 1935.

3. "Now the bankers are afraid to loan their cash deposits to small industry for fear that if and when prosperity comes there will be a tendency on the part of many individuals who own government bonds which pay from 3 percent downward to dump them on the market in order to invest their money in industrial stocks. This market dumping of bonds would mean that there is a danger of the $18 billion worth held by the banks dropping in value from 100 par to 95 or 93 par. This would result in a bank crash greater than was ever experienced in the history of this country." (Lecture May 26, 1935)

Comment: The member banks held $9,820 millions of Government securities on March 4, 1935, only $4,630 millions of which were bonds that could depreciate appreciably. (Member Bank Call Reports). The rest were bills, certificates, and notes maturing in less than five years. A drop from 100 to 93 in the price of the bonds held would have amounted only to $342 millions. At the same time the capital funds of banks against which losses could be charged were over $5 billions.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

4. "The billions of dollars to be paid the bankers in interest is the difference between prosperity and depression." (Lecture December 15, 1935)

Comment: On March 4, 1936, the computed annual yield on the member banks' holdings of government securities amounted to $260 million, or a rate of 2.45 percent. This amounted to 4/10 of one percent of the current national income.

5. "Immediately following the war did not the Federal Reserve banks participate in cancelling $14 billion that we had loaned to the Allies? Did not these same bankers extend $11 billion of credit to European and other nations, which has since been repudiated?" (Lecture January 12, 1936).

Comment: $14 billions that we had loaned to the Allies (the figure actually was $10.3 billions) was never cancelled, so that the Federal reserve banks could not very well have participated in the cancellation. The Federal reserve banks have made small loans to foreign central banks in the past and they have all been repaid. The greatest amount of foreign securities ever held by the member banks was $726 millions on June 30, 1928. (Federal Reserve Board Annual Report 1928 page 119)

6. "The present Federal reserve bankers destroyed $20 billion of money which they have never restored." (Lecture January 12, 1936)

Comment: The total contraction of deposit currency of the member banks was $3-3/4 billions from June 30, 1929 to June 30, 1933. This was due to bank failures and repayment of loans by individuals and corporations. On December 31, 1935 this contraction had been more than made good, expansion of deposit currency in member banks from June 30, 1933 to December 31, 1935 being $6-3/4 billions. (Member Bank Call Reports)

7. "This Administration guaranteed deposits for the banks, thereby insuring their business. It did not necessarily insure the deposits of the citizens, because $400 million capital stock plus premiums of the Government's money insurance corporation cannot adequately secure the $20 billion of depositors' money." (Lecture February 2, 1936).

Comment: Deposits up to $5,000 are insured against loss by the Federal Deposit Insurance Corporation. The deposits and not the banks are insured. The stockholders of banks must lose all their capital funds before the Corporation loses anything. The capital funds of insured banks amount to $6.2 billions. (Call Report of Insured Banks, December 31, 1935).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

8. "This Administration made a special premium rate for the Federal reserve banks' insurance". (February 2, 1936)

Comment: All insured banks pay the same premium of 1/12 of one percent per annum.

9. "This Administration made the Federal Reserve banks lenders to industry in competition with its own Reconstruction Finance Corporation. Formerly, the Federal Reserve bank was a bankers' bank, but it is now becoming a New Deal Fascist bank and actually competes with its subservient member banks whose vaults are so loaded with interest bonds that they have no credit of any account to loan to local industry." (Lecture February 2, 1936)

Comment: The Federal Reserve banks were empowered to make loans to industry in cases where local banks could not justifiably make the loans. The maximum amount of such loans outstanding at any one time was $35 millions in comparison with the $12 billions of loans of member banks. On February 2, 1936 member banks had approximately $5 billions of excess reserves available for loans. (Federal Reserve Bulletin)

10. "By recent laws the original Act now reads that all profits henceforth accrue to the privately-owned Federal Reserve bank without the government receiving anything." (Lecture February 2, 1936)

Comment: Member banks are entitled only to a six percent return on their stock in the Federal reserve banks. Any surplus accrues to the U. S. Treasury upon liquidation of the Federal reserve banks. (Federal Reserve Act, Sec. 7)

11. "This Administration relieved the banks from paying interest on time deposits and thereby gave the private bankers a bonus of approximately another billion dollars annually." (Lecture February 2, 1936)

Comment: The Board of Governors is empowered only to determine the maximum rate that may be paid on time deposits. This was done to prevent competition from forcing banks into speculative investments, thus endangering depositors' funds. In 1933 member banks paid $288 million interest on deposits. In 1935 they paid $209 million (Federal Reserve Bulletin July 1936). This reduction of $79 million is a reflection of the very substantial fall in interest rates from 1933 to 1935.

12. "Secretary Morgenthau informs the public that only $435 million of the $10½ billion is now free gold and that the rest of it is controlled by the Federal Reserve banks, the beloved financial pets of the President." Lecture February 9, 1936).

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Comment: On February 5, 1936, the gold stock amounted to $10,168 million and was held by the U. S. Treasury. The Federal reserve banks held $7,664 million of gold certificates, which "shall be redeemed at such times and in such amounts as in the judgment of the Secretary of the Treasury are necessary to maintain the equal purchasing power of every kind of currency of the United States". (Gold Exchange Act, 1934, Sec. 6). A fund of $2 billion arising from the revaluation of gold was earmarked for "the purpose of stabilizing the exchange value of the dollar". (Gold Exchange Act, 1934, Sec. 10).

13. "Immediately following the revaluation of gold to $35 an ounce, the bankers played their international game for their own gain by bringing back the gold at $35 an ounce and profiting by hundreds of millions of dollars on the transaction. Fine profit for the Federal Reserve banks." (Lecture February 9, 1936).

Comment: The Federal reserve banks did not make a dollar profit from the revaluation of gold. Under the terms of the Gold Reserve Act, Section 7, all profits arising from the revaluation of gold were covered into the Treasury as a miscellaneous receipt.

It is interesting to compare this statement of the Reverend Coughlin's on February 9, 1936, with the statement he made on January 31, 1934; "Why should Congress stabilize our foreign dollar at 60 cents, 16 cents too high in the light of present figures? If they do it will be surrender. A 60 cent dollar means continued deflation."

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis