

RADIO ADDRESS BY HON. WRIGHT PATMAN, OF TEXAS  
From Congressional Record, Monday, March 17, 1941

Mr. PATMAN. Mr. Speaker, under leave to extend my remarks in the Record, I include the following radio address delivered by me on Saturday, March 15, 1941, over the Mutual Broadcasting Co.'s national hook-up from Washington, D. C.:

Ladies and gentlemen of the radio audience, the country faces today vast new economic as well as social problems. We now speak in terms of billions of dollars, whereas, up until the recent past such huge amounts were seldom referred to. Changes in the structure of our country are occurring with bewildering speed.

Every citizen is deeply and earnestly concerned about the national debt. It is said if we keep on expanding the national debt at this rate that we will go broke; that we will not be able to pay our debts.

History teaches us that governments do not default on their debts to their own people. They always pay them; however, it is not unusual for such debts to be paid in money of a changed value.

NATIONAL DEBT EQUIVALENT OF \$130,000,000,000

By the end of this year our Federal Government will owe \$65,000,000,000. It will be owed to individuals and corporations holding United States Government bonds. The interest burden on this enormous debt will exceed \$2,000,000,000 annually. A debt of \$65,000,000,000 is equal to a per capita debt of \$500, or for a family of five, it is equal to \$2,500. The interest on this \$65,000,000,000 debt will amount to as much as the principal by the time the debt is paid. So our debt is really \$130,000,000,000 instead of half that amount, if our unconstitutional method of Government financing is not changed. This debt, including principal and interest, is \$1,000 per capita, or \$5,000 for a family of five.

It is now generally talked on Capitol Hill, here in Washington, that more taxes will have to be raised, that all sorts of nuisance taxes will have to be levied, and individuals with incomes as low as \$20 a week will likely have to pay a part of it in taxes.

HOW DEBT CAN BE EASILY RETIRED

Our \$65,000,000,000 national debt can easily be retired in 25 years and no interest will have to be paid if Congress will carry out a constitutional mandate. That is what I desire to talk to you about.

The deadline for filing income-tax returns and making the first payment on 1940 income taxes was reached today. The tax burden has assumed proportions never before dreamed of in this country. More individual citizens filed Federal income-tax returns this week than ever before in the history of this Government.

It is one of the duties of a Member of Congress to see that the money collected from the taxpayers for the Government is not squandered. Wasteful and extravagant spending must not be permitted. At the same time, we must spend the amount of money necessary for the purpose of adequately and properly preparing our country against any attack, and we must not be niggardly in defense expenditures.

In financing defense the Government should not promise to pay interest on its obligations when it is unnecessary, useless, and wasteful.

#### CONGRESS HAS FARMED OUT SOVEREIGNTY OF NATION

The Constitution says that Congress only can coin or print money. The Constitution also says that no State shall coin or print money. The Federal Government is, therefore, supreme over others and is the highest in power on the question of issuing money. I say to you, without any fear of contradiction, that Congress many years ago farmed out to special interests the sovereignty of our Nation to issue money. The people are paying for it now, and paying dearly.

#### GOVERNMENT INTEREST HAS BECOME A BURDEN

For the first 125 years of our country's existence, the matter of the Federal Government paying interest on bonds was no problem at all as the amounts paid were not sufficient to cause concern. During recent years we have been paying up to \$1,000,000,000 a year in interest on United States Government obligations. Now, with our interest burden approaching more than \$2,000,000,000 a year, it is time that we give this question serious consideration and, at the very earliest date possible, take away from private interests the power to create money on the Government's credit and vest such power where it belongs--in an agency of Congress. This will not only save the people \$2,000,000,000 a year in interest; it will be helpful in many ways.

#### SOVEREIGN GOVERNMENT SHOULD NOT PAY INTEREST

If a State borrows money, it is proper that the State promise and pay interest on the bonds issued, which are sold for the money issued by the Federal Government. This should not be true of the sovereign Federal Government, since the Federal Government creates all money. It does not make sense to say that the Federal Government should sell interest-bearing bonds to private interests for money that the Government itself creates and furnishes the private interests, in order for them to buy the bonds.

A private corporation must sell interest-bearing bonds to obtain money that is created by the Government. That is no reason why the Government, which creates both bonds and money, should sell interest-bearing bonds in return for money of its own creation. I insist it is illogical and unfair.

## MONEY-ISSUING PRIVILEGE FARMED OUT

Through the Federal Reserve Bank System, the money-issuing power of the Government has been farmed out to the private commercial banks. These 12 Federal Reserve banks are owned--lock, stock, and barrel--by the private banks of the country. It is said in reply that the Federal Reserve Board which administers the law is appointed by the President of the United States, which is true, but the members of this Board are paid their salaries by the private banks and the system is otherwise controlled by the private banks. They are Federal in name only. No individual can do business with them. These 12 banks are for banks exclusively.

These 12 Federal Reserve banks perform a governmental function by issuing money upon the credit of the United States Government. The money issued by these 12 banks is really Government non-interest-bearing bonds, and upon the face of this money, it is stated that it is an obligation of the United States Government. This is a violation of the Constitution of the United States, which says that Congress shall issue money. This privately owned Federal Reserve System is certainly not an agency of Congress.

The private commercial banks, in order to claim this great System, have purchased by permission of Congress \$138,000,000 of its stock, which represents all of the stock outstanding. Although this is a large amount of money, it is insignificant compared to the privileges enjoyed and exercised by these 12 banks. These 12 banks are privileged to issue money--blanket mortgages on the Government's credit--by paying the cost of printing, which is about 30 cents per thousand dollars. The Treasury sells Government interest-bearing bonds. These 12 privately owned banks pay 30 cents a thousand dollars for another form of Government obligation--money--to buy them with. Perfectly ridiculous, but it enables these 12 banks to pay salaries up to \$50,000 a year and receive other undue benefits. These 12 banks pay no taxes to the Federal Government, and no part of their earnings goes to the United States Treasury, as required in the original law. These 12 Federal Reserve banks also claim title to more than \$20,000,000,000 in gold that Congress by penal laws has forced the people to give up. In addition, these 12 banks have issued more than \$6,000,000,000 in money. All of this, mind you, upon the small investment of \$138,000,000 upon which they, too, receive an annual dividend of 6 percent.

This money issued by the 12 Federal Reserve banks is a mortgage upon all of the property of all of the people and is used for the benefit of a few. The salaries and earnings of every individual are pledged to pay any debt contracted by these 12 banks on the credit of the Nation.

## TIME HAS COME FOR A CHANGE

The famous Disraeli, former Prime Minister of England, once said:  
"Nothing is so powerful as an idea whose time has come."

I say to you, in all earnestness, that the time has now come for the people to change the unconstitutional system of permitting the private banks of the country to sue the Government's credit free of charge. Congress can, by the enactment of a law of less than 100 words, change this system entirely and save the people more than \$2,000,000,000 a year in interest that they will be compelled to pay if the system is not changed and, in addition, can entirely pay off and liquidate the \$65,000,000,000 national debt in 25 years by paying on the principal of Government bonds each year what will have to be paid as interest if the system is not changed. The law suggested should provide, among other things, that the \$138,000,000 invested by the private banks in the Federal Reserve System should be returned to them immediately. Then the Government will own these money-issuing banks and, without any cloud whatsoever, will own the enormous gold supply of more than \$20,000,000,000, and that gold can be used in the interest of the people instead of permitting its use by the private banks.

#### NON-INTEREST-BEARING BONDS SHOULD BE USED

When the Government owns the 12 Federal Reserve banks, it will not be necessary for the Government to issue and sell interest-bearing bonds. Then as money is needed, non-interest-bearing bonds can be delivered to these 12 banks, credit given for them on the books of the banks, and checks drawn by the Treasury to pay any debt that is owed by the Government. All outstanding Government bond issues can be paid the same way as they become due or callable. This will be exactly the same system that is used today, except interest will not be paid. The money or credit will be paid into circulation. No more money will be printed than is printed under the present system. There will be no substantial change whatsoever, except the people--the taxpayers--will save \$2,000,000,000 a year. It will not be necessary for bonds to be sold to anyone.

I respectfully submit that the Government needs neither the money created by private banks nor the savings of the people to finance our defense program.

#### THIS PART OF MONEY SYSTEM NO MYSTERY

It is realized by me and others, who are advocating the change of this system, that if anyone speaks out on the subject of money, he is immediately told that this subject is too deep for the common intellect; that it is understandable only by a seventh son of a seventh son, born with the veil in the dark of the moon and that the rest of us must not presume even to think on the subject. The fact is that anyone who knows the difference between right and wrong knows that it is absolutely unnecessary, extravagant, and wasteful.

The slogan, "Money is a mystery," has been worth billions of dollars to special interests in this Nation.

Representatives of the people are driven to cover with slogans that mean nothing in connection with this problem.

## NO EFFORT TO STIR UP HATE AGAINST THE BANKERS

I have no desire to engage in the old technique of stirring up hate against bankers. They are as fine a group of citizens as we find in the country, and this is not a fight against banking institutions or bankers.

Bankers have much to do in connection with national defense without creating money on the Government's credit and lending it to the Government with interest. The financing of their customers in defense operations will be quite a great undertaking and in addition to their normal business operations.

If commercial banks properly develop their service opportunities to the utmost, it will not be necessary for them to rely, in whole or in part, upon the ownership of Government bonds for support.

### OUR PROPOSAL NOT NEW

Mr. Thomas A. Edison said:

"It is absurd to say that our country can issue \$30,000,000 in bonds and not \$30,000,000 in currency. Both are promises to pay, but one promise fattens the usurer and the other helps the people."

Mr. Edison said further:

"If our Nation can issue a dollar bond, it can issue a dollar bill. The element that makes the bond good makes the bill good also. The difference between the bond and the bill is that the bond lets money barkers collect twice the amount of the bond and an additional 20 percent interest, whereas the currency pays nobody but those who contribute directly in some useful way."

Those of us who believe that the Government policy of issuing interest-bearing bonds is absolutely idiotic are fortified with the views of some of the greatest men who have ever lived in this country. Among those who entertained the same views were Benjamin Franklin, Thomas Jefferson, Abraham Lincoln, Andrew Jackson, Thomas A. Edison, and many others.

No sane argument has ever been presented in favor of the sovereign Government of the United States issuing interest-bearing bonds in preference to its own credit, non-interest-bearing bonds.

### INFLATION COMING

It is evident that we are going to have what is generally referred to as inflation. The issuance of bonds and selling them to the banks is the creation of additional money or credit and is more inflationary than if the Government issued the money or credit in the first instance. Because we are going to have inflation does not mean that it should necessarily be ruinous inflation. It can be controlled, and it must be controlled.

## ENCOURAGE PRIVATE ENTERPRISE

We should encourage private enterprise, the Government should not engage in any business that can be properly conducted in the interest of the people without Government help. At the same time, the private commercial banks should not be in the Government's business. The issuance of money is a governmental function, and should not be farmed out to private banking interests as it is today.

If the Government issues non-interest-bearing bonds, that does not mean that they will never have to be paid. They will have to be paid, but it does mean that the Government will not have to pay a dollar in interest for every dollar of principal.

No effort is being made to prevent the charging of private interest, or to cause the Government to take over the private banking institutions. The only effort we are making is to have the Government reassume its constitutional duty of coining money and regulating its value. The first step is for the Government to own the Federal Reserve Banking System, which should be just as much a part of this Government as the Treasury itself. When private selfish interests succeeded in getting control of the money-issuing privilege of the Government, they obtained a franchise which is possibly worth more money than a franchise to levy and collect taxes from the people.

## THE BILL TO CARRY OUT THE PROPOSAL

For many years I have had pending in Congress a bill providing for the Government ownership of the 12 Federal Reserve banks. In the present Congress that bill is H. R. 116. Time for its consideration has not been ripe in the past, but now the time has come when its consideration cannot be evaded.

If you are interested in preventing dangerous inflation, saving the taxpayers \$2,000,000,000 a year, paying our \$65,000,000,000 debt in 25 years, and in repealing the law which has farmed out the use and abuse of our Government's credit to the private commercial banks, please let your Congressman and your Senators in Washington, D. C., know your views.