300.011 - Nordskog Andrae B vs FRBank San Francisco
Suits Against FRBanks- FRBANKS

TRANSFER

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Form F. R. 37

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

REC'D IN FILES SECTION
MAY 20 1938
300 01 Nordskog

Office Correspondence

Date May 17, 1938.

To Governor Ransom

From Mr. Thurston

Subject: Letter of 5/11/38 from Andrae B. Nordskog, Los Angeles, California.

May 21, 1938
1361 Vita
Denan
Law.

If you will pardon a mixed metaphor, I think this bird is a nut. Since he filed a suit against the Reserve System in August of 1936, making all sorts of wild charges against the System, my recommendation would be to ignore his letter.

Attachment.

AUTHOR OF
"Spiking The Gold"
"We Bankers"
And other books on the
Subject of Finance

ANDRAE B. NORDSKOG

FINANCIAL COUNSELOR
FOR
COMMERCIAL INSTITUTIONS AND
GOVERNMENTAL DEPARTMENTS

Address All Communications to
1611½ No. Harvard Blvd.
LOS ANGELES,
CALIFORNIA

May 11, 1938.

Hon. Ronald Ransom,
Vice Chairman of the
Federal Reserve Board,
Washington, D.C.

Re: Excess Reserves.

Dear Mr. Ransom:

On August 10, 1936, you wrote me in answer to certain questions I had presented to President Roosevelt.

A certain former officer of the federal reserve system had advised the writer that the bankers had "kicked" President Roosevelt out of control over the excess reserve requirements. You stated that the authors of the Banking Act of 1935 felt, and the President agreed, that it was unfair to place the burden and responsibility of such matters upon the President. Hence the elimination of the President from such control by way of approval or veto of the actions of your Board.

Some of us took exception to the sharp increase in reserve requirements in 1936 and '7. From facts stated in your letter it would seem that President Roosevelt had nothing to say about the increases ordered by your Board effective in 1936 and '7. For that reason it interested many of us on this coast when we read that your Board was recently requested by the President to lower the reserve requirements 12½%, or by some $750,000,000, effective April 16, 1938. Does the Board thus feel that the President is more qualified to pass on this reserve matter than the Board itself? Or are we compelled to the conclusion that political expediency overruled the previous judgment of your Board? The very political influence desired to be overcome as stated to this writer by the former reserve banker?

Although some of us labor at a disadvantage by not having at our command the facilities available to your Board, still we saw clearly, and stated publicly our belief, that sharp, sudden increases in reserve requirements would create a deflationary psychology which would result in a commercial and industrial tailspin; a fact voiced now, almost two years later by your Honorable Chairman, Mr. Eccles.

What method is used by the Federal Reserve Banks in converting reserves and excess reserves, and other miscelaneous deposits into gold certificates now over 7 billion dollars in excess of the amount needed for federal reserve note backing? In what form was the reserve requirement cut of $750,000,000 released to member banks? If Federal Reserve notes were demanded by member banks, by what process are the gold certificates converted into such notes?

Many inquire into the personel and business background of your Board members; will you be so kind as to supply this information; it will inspire confidence, I am sure.

Sincerely, Andrae B. Nordskog.

American Press Comment:— "To Mr. Nordskog goes the credit for having saved Two Billion, Eight Hundred Million Dollars Gold-Profit for the United States Treasury."

Form F. R. 131

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

FEDERAL RESERVE BOARD FILE
300 011
Nordskog

Office Correspondence

Date September 22, 1936

To Board of Governors

From Mr. Wyatt, General Counsel

Subject: Andrae B. Nordskog vs. Federal Reserve Bank of San Francisco, Et Al - Complaint in Equity - Pending in the District Court of the United States, 16—852 for the Northern District of California, Southern Division.

9/11/36

For the information of the Board there is attached hereto a copy of a letter received from Mr. Agnew, Counsel for the Federal Reserve Bank of San Francisco, together with a copy of my reply.

FOR CIRCULATION
First to Mr. Ransom
Mr. Broderick
Mr. Szymczak
Mr. McKee about
Mr. Davis about
Mr. Ransom
Mr. Clayton
Please note, check and return to Mrs. Fitzgerald.

From Mr. Agnew's investigation it would appear that Nordskog does not intend to have processes issued or to prosecute the case. I am still of the opinion that it would not be wise at this time voluntarily to enter appearance in the case, and have suggested to Mr. Agnew the possibility of the court dismissing the case upon its own motion when it finds that Nordskog is doing nothing towards bringing the case to issue.

Respectfully,

Walter Wyatt

Walter Wyatt,
General Counsel.

Attachments.

300.011
Nordskog

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

September 22, 1936

Mr. Albert C. Agnew, Counsel,
Federal Reserve Bank of San Francisco,
San Francisco, California.

In re: Andrae B. Nordskog vs. Federal Reserve Bank of San Francisco, Et Al - Complaint in Equity - Pending in the District Court of the United States, for the Northern District of California, Southern Division.

Dear Albert:

Your letter of September 11th, addressed to the Board for my attention concerning the above suit has been received.

I have read the same with a great deal of interest and it would appear rather conclusive from what you say that Nordskog will probably never have a summons issued or take any further steps towards prosecution of the case.

I am wondering if when the case is called and the court finds that nothing has been done other than filing the bill and that the complainant has taken no steps to cause a summons to be issued, it will not dismiss the complaint of its own motion. Without having any definitely fixed views in connection with the procedure which we should follow this would seem better to me than to anticipate service and precipitate the issue by voluntarily entering our appearance. As stated, my views are not entirely crystallized and I will lean very heavily upon your judgment, particularly since you are on the ground and are in so much better position to form one.

I am having some work done upon the general questions which thus far have occurred to us and appreciate very much your consideration in giving us the benefit of the cases which you would expect to rely upon in connection with the motion to dismiss. It goes without saying that I will be very glad to give you the benefit of the work done in this office when the same is completed.

With kindest personal regards, I am

Cordially yours,

Walter Wyatt,
General Counsel.

Lee Mems 9/22/36

COPY

300.011
Nordskog

FEDERAL RESERVE BANK OF SAN FRANCISCO

September 11, 1936

Board of Governors of the Federal Reserve
System
Washington
D. C.

In re: Andrae B. Nordskog vs. Federal Reserve Bank of San Francisco, Et Al - Complaint in Equity - Pending in the District Court of the United States, for the Northern District of California, Southern Division.

Attention Walter Wyatt, General Counsel

Dear Sirs:

Reference is made to your telegram dated August 24, 1936, addressed to the undersigned, in which you advise that after having given the matter further consideration it was felt that the filing of a motion to dismiss in the above entitled matter would afford the plaintiff opportunity for additional publicity, and that for this and other reasons stated in your wire it was your judgment that it would be better not to file such a motion until after service of summons and complaint.

In this connection, your attention is also invited to Mr. Clerk's telegram of August 17 addressed to you and your reply of August 19, in the latter of which you request to be kept advised as to the views of counsel for this bank as to the steps which should be taken in connection with this case. You also requested that you be furnished any information that we were able to obtain regarding plaintiff's counsel.

After a somewhat careful investigation at both Los Angeles and here, we find that Ben C. Axley, counsel for plaintiff, is not known to the profession in either of these cities. He is not listed in either the city directory or the telephone directory at Los Angeles, which address he gives on the complaint as his place of residence. Mr. Axley is not listed in the Martindale-Hubbell Law Directory, which is a directory of all attorneys in the United States, nor in the Parker, Stone & Baird Directory, which is a directory of the attorneys in Los Angeles County. Inquiry at the State Bar Association discloses the fact that they have no record of Mr. Axley and that he is not a member of the State Bar.

See Ans 9/22/36

The address given on the complaint, 516 North Harvard Street, Los Angeles, is a residential section. It is, therefore, evident that Mr. Axley has no formal office. We have not been able to contact any member of the Bar at either Los Angeles or San Francisco who has ever heard of him.

I endeavored to obtain a copy of "The New America", the paper formerly edited by Nordskog. I expected that the paper, if published, would contain reference to the filing of the suit. Upon applying at several of the news stands at Los Angeles we were informed that they did not have copies. Through the Los Angeles Public Library we ascertained that publication of the paper was discontinued in April, 1934.

In an endeavor to definitely ascertain that Mr. Nordskog was not now publishing "The New America", we also inquired at the Second-Class Registry Division of the Los Angeles Post Office, in which Division such publications would have to be listed if they were sent through the mails. This Division advised us that publication of "The New America" was not listed with them, so it is safe to assume that the publication of the paper has been discontinued.

Nordskog is not listed in the telephone directory at Los Angeles but is listed in the Los Angeles City Directory for 1936, with only a residential address. Inasmuch as the directory generally mentions the occupations of those listed therein, it would appear that Nordskog is not at the present time actively connected with any business.

No officer of this bank has been served with copy of summons and complaint up to the present date. We have left with the United States Marshal's Office standing instructions to notify us immediately upon any request being made for service of summons. We have also requested the Clerk of the United States District Court for the Northern District of California to notify us of any ex parte motion which may be filed by the plaintiff. Thus far, we have had no notification from either of these sources. It is the writer's opinion that Nordskog did not at the time the complaint was filed and does not now intend to pursue the action further.

We are informed that he is the author of several books. About 1930 he published one entitled, "Spiking the Gold", and has recently published a book entitled, "We Bankers". We have not been able to procure copies of either of these publications.

It is the writer's opinion that the suit recently filed was instituted only for publicity purposes and possibly as a source of additional material for Nordskog's next book.

If and when we are served in this matter, it is our intention, subject to your instructions, to immediately move to dismiss the bill of complaint upon the following grounds:

1. That it appears on the face of the complaint by plaintiff's own showing that he is not entitled to the relief prayed for by the complaint against the Federal Reserve Bank of San Francisco or any of its officers, nor to any relief arising from the facts alleged in said complaint.

2. That it appears on the face of the bill of complaint that the court has no jurisdiction to hear and determine the suit.

3. That it appears on the face of said bill of complaint that said complaint is wholly without equity.

As you know, a motion to dismiss in the Federal Court is akin to a general demurrer and the points which we propose to urge against the complaint would partake of that nature.

In support of our argument on the motion to dismiss, we would, of course, prepare a trial brief. This, however, we have not done, feeling that we would have ample time within which to do so if and when the necessity for filing a motion to dismiss arose. We, however, rely upon such cases as the following:

RAICHLE vs. FEDERAL RESERVE BANK OF NEW YORK, 34 Fed. (2d) 910;

SULLIVAN vs. IRON-SILVER MINING CO., 109 U.S. 550;

PULLMAN CO. vs. MISSOURI PACIFIC RAILROAD CO., 11 Fed.635;

KENT vs. LAKE SUPERIOR CANAL CO., 144 U.S. 75;

FIRST NATIONAL BANK vs. FELLOWS, 244 U. S. 416;

WESTFALL vs. U. S., 274 U.S. 256;

LEGAL TENDER CASES, 110 U. S. 421;

McCULLOUGH vs. MARYLAND, 4 Wheat. 316; 4 L.Ed. 579;

ALCOHOL WAREHOUSE CORPORATION vs. CANFIELD,
11 Fed. (2d) 214;

GNERICH vs. RUTTER, 265 U. S. 388;

WEBSTER vs. FALL, 266 U. S. 507

Any such brief would, of course, include reference to the provisions of the Federal Reserve Act, under the authority of which the Board of Governors of the Federal Reserve System has exercised the power to regulate reserve requirements and to the exercise of which the plaintiff objects. It is unmistakably true that the Board of Governors is a necessary and indispensible party. Throughout the bill of complaint reference is made to action taken by the Board of Governors. In fact, no affirmative act is alleged as against the Federal Reserve Bank of San Francisco.

We have little doubt that the United States District Court will grant the motion to dismiss. If you feel that a trial brief should be prepared even in advance of the time when service of the summons and complaint is made, I will, of course, undertake this work, but feeling as I do that the case has gone as far as it ever will without some affirmative action on our part, this seems hardly necessary. Your further instructions will, however, be appreciated.

I have not attempted herein to give you an exhaustive list of the cases upon which I would rely. I believe, however, that those mentioned herein are representative of the authorities in support of the proposed motion.

Very truly yours,

(signed) Albert C. Agnew

Counsel.

ACA:MA

Form F. R. 148 b

300.011
Nordskog

TELEGRAM

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
LEASED WIRE SERVICE
WASHINGTON

August 19, 1936.

Clerk - San Francisco

Thanks your letter August 17 and copy of complaint in Nordskog case STOP Board requests that you keep it advised promptly of all developments in connection with this case STOP Board also desires to be advised as soon as possible as to views your counsel as to steps which should be taken and to have an opportunity to examine draft of any pleading before it is filed STOP Please also furnish any information you may be able to obtain regarding Nordskog's counsel

Morrill

CM yd

CMW

FILE COPY

16—4573 G P O

FEDERAL RESERVE BANK OF SAN FRANCISCO

August 19, 1936

Board of Governors of the
Federal Reserve System,
Washington, D. C.

Dear Sirs:

Although five days have elapsed since complaint was filed, we have not been served in the case of Andrae B. Nordskog, et., Plaintiff vs. The Federal Reserve Bank of San Francisco, et al, Defendants.

In view of the possibility of Plaintiff making an effort to obtain a temporary restraining order on ex-parte motion, our counsel has notified the clerks of the courts to give us an opportunity to be heard in opposition to such motion.

You will be notified promptly when any further steps are taken.

Yours very truly,

First Vice President.

Air-Mail

NOTE: Copy sent to each Board Member, also Mr. Thurston.

300.011
Nordskog

FEDERAL RESERVE BANK OF SAN FRANCISCO

August 17, 1936

Board of Governors of the
Federal Reserve System,
Washington, D. C.

Dear Sirs:

Pursuant to the exchange of telegrams of today, we are enclosing copy of Complaint in Equity in the District Court of the United States for the Northern District of California, Southern Division, in the case of Andrae B. Nordskog, et., Plaintiff vs. The Federal Reserve Bank of San Francisco, et al, Defendants.

So far, we have not been served. The copy enclosed was made in the Court by one of Mr. Agnew's secretaries, and was very hurriedly transcribed. It has not been checked back against the original, but we believe it is substantially correct.

Yours very truly,

Lee

McClerk

Enclosure
Air-Mail

First Vice President.

Lee hms 8/19/36

Copies sent to Board members and Division Heads

(Filed August 14, 1936) (signed) (Stamp) (Issued Subpoena Walter B. Maling B. G. O'Hara Deputy Clerk)

In the District Court of the United States for the Northern District of California, Southern Division.

Andrae B. Nordskog, et. Plaintiff vs. The Federal Reserve Bank of San Francisco, a corporation, and W. A. Day, President of said bank and S. G. Sargent, Assistant Federal Reserve Agent of the Federal Reserve Bank of San Francisco. Defendants.	4072 L Complaint in Equity

Ben C. Axley
516 North Harvard St.
Los Angeles, California
Attorney for Plaintiff

In the District Court of the United States
for the Northern District of California, Southern Division.
********** **********

Andrae B. Nordskog on his own behalf and that of other citizens of the United States of America. Plaintiff vs. The Federal Reserve Bank of San Francisco, a corporation, and W. A. Day, President of said bank and S. G. Sargent, Assistant Federal Reserve Agent of the Federal Reserve Bank of San Francisco. Defendants.	4072 L Complaint in Equity

FOR A CAUSE OF ACTION PLAINTIFF ALLEGES:

I

That he is a natural born citizen and a qualified elector of the United States of America, and a citizen and qualified elector of the State of California and of the City of Los Angeles, California, and is therefore entitled to all rights, immunities and protections guaranteed by the Constitution of the United States; and Plaintiff further alleges:

II

That the member banks hereinafter referred to were members of the Federal Reserve Bank of San Francisco and were stockholders in said bank; and that the Federal Reserve Bank of San Francisco is a corporation chartered under the laws of Congress as adopted in 1913 A.D.; and that W. A. Day is President of said Federal Reserve Bank of San Francisco; and that said Federal Reserve Bank of San Francisco is a member and or part of the Federal Reserve System created under the laws of Congress; and that the Board of

Governors of the Federal Reserve System was created under the laws of Congress; and that Mr. S. G. Sargent is Assistant Federal Reserve Agent of the Federal Reserve Bank of San Francisco; and Plaintiff further alleges:

III

That during the year 1921 A.D. he entered into a manufacturing business in the State of California wherein not only a ready domestic outlet was found for the products manufactured, but also an international outlet in many countries throughout the world, including Australia, the British, French and Dutch Guineas and South America, England, Spain, Mexico and many other countries; and Plaintiff further alleges:

IV

That a financial statement was issued for Plaintiff after the first year's operation of said manufacturing business by public accountants, certified under the State laws of California, which statement showed that net earnings, after all operating costs were allowed for, amounting to a sum for the last month covered in said statement equal to eight per centum per annum on one million dollars capital, and that the demand for the product being manufactured was increasing at a very rapid rate each succeeding month; and Plaintiff further alleges:

V

That the rapid expansion of said manufacturing business compelled Plaintiff to seek short-term financial aid from certain State banks; and that said banks accepted and discounted trade acceptances, notes and other evidences of debt from Plaintiff at usual rates of interest and exchange, making it possible for plaintiff to meet current obligations while waiting for customers to pay for goods received; and Plaintiff further alleges:

VI

That the then-called "Federal Reserve Board" (now known as the Board of Governors of the Federal Reserve System) did hold a secret meeting and adopted and put into effect a policy of deflation of United States currency

(known as Federal Reserve notes and Federal Reserve bank notes), resulting in the cancellation of accommodations by the Federal Reserve Bank of San Francisco to member banks by the arbitrary raising of rediscount rates which said member banks could not pay because their customers could not pay the unusually high rates thus arbitrarily imposed on them; and Plaintiff further alleges:

VII

That due to the policy thus adopted in secret by the Federal Reserve Board more than two billion dollars of Federal Reserve notes was withdrawn from active circulation, resulting in the destruction of a commensurate amount of bank credits in a ratio of ten to one in excess of the amount of Federal Reserve notes and Federal Reserve bank notes thus withdrawn from circulation in the United States; and Plaintiff further alleges:

VIII

That as a result of the secret deflationary policy thus adopted and carried out by the Federal Reserve Board a chaotic condition prevailed among all banks in the United States, both member banks of the Federal Reserve System and non-member banks, compelling weaker banks to merge with stronger ones, or face suspension of business, which was the fate of many thousands of banks, both large and small, causing great loss of money and business by unnumbered thousands of merchants, manufacturers and farmers; and Plaintiff further alleges:

IX

That these State banks (then not members of the Federal Reserve System) with which Plaintiff was doing business and from which Plaintiff was receiving banking accommodations, under stress of the conditions named in Paragraph 8 above, as a matter of self-preservation, were compelled to and did merge with a large member bank, after which time further accommodations in the way of well-secured short-term loans were refused to Plaintiff, resulting in the total destruction of Plaintiff's manufacturing business;

and Plaintiff further alleges:

X

That during the year 1931 A.D. he was a depositor in a National bank which was a member of the Federal Reserve System; and that during that year said bank, (because of the deflationary policies adopted and carried out by the Federal Reserve Board), together with twenty two hundred and ninety-three (2,293) other banks in the United States, suspended operation and closed its doors, causing a loss of millions of dollars to the Plaintiff and other American depositors; that being the year when more banks failed than any year in the history of American banking; and Plaintiff further alleges:

XI

That although the Federal Reserve System was established by an Act of Congress to provide an improved and more elastic currency, and to provide safeguards for the protection of the banks in the United States, some fourteen thousand (14,000) banks have been forced into suspension of business since the year 1921 A.D., such wholesale bank failures being without precedent or parallel in the history of American banking, resulting in losses of unnumbered billions of dollars of bank deposits and business curtailment affecting scores of millions of honest, upright and industrious American citizens who have been thrown into the public breadline or into public relief work with the resultant loss of morale; and Plaintiff further alleges:

XII

That, pursuant to the terms of an amendment to the Federal Reserve Act in 1935, wherein the Board of Governors of the Federal Reserve System are empowered, upon the affirmative vote of only four of its members, without the necessity of declaring that an emergency exists, to require all member banks in the Federal Reserve System to maintain reserves against demand or time deposits or both in a sum equal to twice the amount required by law, said Board of Governors did on July 15, 1936, issue an ORDER to the effect that all member banks in the Federal Reserve System should, at the close

of the business day on August 15, 1936, maintain such reserves with the Federal Reserve banks in their respective districts in a sum equal to 150% of the amount required by law; and Plaintiff further alleges:

XIII

That, under the date of July 16, 1936 Mr. S. G. Sargent, Assistant Federal Reserve Agent of the Federal Reserve Bank of San Francisco, issued a circular letter to "Member Banks of the Federal Reserve Bank of San Francisco" to the effect that reserve requirements against demand and time deposits would, on order of the Board of Governors of the Federal Reserve System, after the close of business on August 15, 1936, be increased 50% in excess of the amount required by law, which throughout the Federal Reserve System will "lock-up" and "sterilize" "$1,450,000,000" which normally would provide a basis for expansion of bank credit in the sum of approximately fifteen billion dollars ($15,000,000,000) but which possible credit expansion under said order is definitely destroyed; and Plaintiff further alleges:

XIV

That he is in the publishing business and during the past 30 days has been in the market for additional funds with which to extend his operations; and that he has made application for a loan from a member bank in the Federal Reserve System, offering as security therefor sound industrial securities with an unbroken record of annual dividends of ten per centum for the past seventeen (17) years; and that such loan has been refused; and that said bank's officer stated to Plaintiff that great uncertainty prevails in the banking world as a result of the arbitrary action taken by the Board of Governors of the Federal Reserve System on July 15, 1936; increasing reserve requirements on demand and time deposits 50% in excess of the amount required by law, and said officer stated that such action came as a surprise and a blow to many banks not prepared to meet such sudden demands and that no banker knows just how soon said Board of Governors might demand another increase, bringing total reserves up to a sum equal

to 200% of the amount required by law, and being thus informed, Plaintiff believes and therefore alleges that said action by said Board of Governors will cause injury and loss to Plaintiff; and Plaintiff further alleges:

XV

That immediately following the announcement of the order issued by said Board of Governors on July 15, 1936 increasing reserve requirements by 50% and caused thereby, dollar values changed and became more dear in the United States, causing further injury to the Plaintiff, and Plaintiff further alleges:

XVI

That such arbitrary action by said Board of Governors in changing the value of the coins and currencies of the United States of America is a direct violation of paragraph 5, Section 8, Article I of the Constitution of the United States, which provides that Congress shall have the power "To coin money, regulate the value thereof, and of foreign coin," and that such action is usurpation of the powers of Congress, and that if the said order so made by said Board of Governors is put into effect, it will further injure the business of the Plaintiff by depriving him of necessary bank credits in carrying on his business; and Plaintiff further alleges:

XVII

That the Federal Reserve Bank of San Francisco was organized for the purpose of rendering service to its member banks and to the people of the United States, and, according to the published statement of the Board of Governors of the Federal Reserve System, not for the purpose of making a profit on its operations, but in spite of which said bank has earned a net profit in a single year of 153% after having paid 6% dividends on stock held by member banks, and at present has a cash surplus of approximately ten million dollars, and Plaintiff further alleges:

XVIII

That there is great need for the extension of bank credit to people in

every walk of life in the United States at the present time, as is evidenced by frequent statements issued from the Nation's Chief Executive to that effect; and that to curtail the possibility of such extensions is tantamount to forcing the Plaintiff and the entire borrowing public and the American people into an extended and manufactured depression.

Plaintiff further alleges that if defendants are permitted or allowed to inforce the orders herein alleged and complained of, it will irreparably damage the Plaintiff's business, and that Plaintiff has no plain and adequate remedy at law.

WHEREFOR, Plaintiff prays that this Court issue an order restraining and enjoining the defendants and each of them from any further effort or attempt to enforce or put into effect the orders herein alleged and complained of, and for costs.

(signed) Ben C. Axley
BEN C. AXLEY

Plaintiff's Attorneys

STATE OF CALIFORNIA)
City and County of San Francisco) ss

ANDRAE B. NORDSKOG, being first duly sworn, deposes and says:
That he is the Plaintiff in the above entitled action; that he has read the foregoing complaint and knows the contents thereof and that the same is true of his own knowledge except as to the matters therein stated on information or belief, and as to those matters he believes it to be correct

(signed) Andrae B. Nordskog

Subscribed and sworn to before me this 14th day of August, 1936

(signed) Katherine M. McDonnell
Notary Public in and for the City and County, San Francisco, State of California.

(SEAL)

FORM F. R. 243

Copy furnished to Mr.
Ransom and to Mr. Vest

300.011
Nordskog

TELEGRAM

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

LEASED WIRE SERVICE

RECEIVED AT WASHINGTON, D. C.

143 G P

SANFRANCISCO AUG 17-36-1144A   1936 AUG 17 PM 3 01

BOARD

WASHINGTON

RETEL SEVENTEENTH WE HAVE CONFIRMED FACT THAT SUIT WAS FILED IN UNITED STATES DISTRICT COURT NORTHERN DISTRICT SANFRANCISCO BY NORDSKOG VERSUS BANK AND ITS OFFICERS COMPLAINT HAS NOT BEEN SERVED BUT WE ARE HAVING COPY MADE AND WILL FORWARD SAME AIRMAIL TODAY

CLERK

3P

Mr. Broderick ✓
Mr. Szymczak ✓
Mr. McKee ✓
Mr. Davis ✓
Mr. Ransom ✓
Mr. Clayton absent
Mr. Morrill ✓
absent
Mr. Carpenter ✓
Vest ✓

Form F. R. 143 b

300.011 Nordskog

TELEGRAM

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
LEASED WIRE SERVICE
WASHINGTON

August 17, 1936

Day - San Francisco

Carded

We have just been advised informally by Wall Street Journal that suit has been instituted against your bank by Andrae B. Nordskog of Los Angeles to prevent enforcement increased reserve requirements STOP Please wire as fully as possible if suit has been instituted and forward copies of papers for Board's information

Morrill

CM yd

CM See Ans - date

FILE COPY

August 10, 1936.

Mr. Andrae B. Nordskog,
2827 Brighton Avenue,
Los Angeles, California.

My dear Mr. Nordskog:

This is to acknowledge your letter of August 4th which was addressed to the President of the United States and referred to this office for reply.

With reference to the last paragraph of your letter, I am enclosing a copy of the Federal Reserve Bulletin for August which contains a copy of the press statement issued by this Board in connection with its action in increasing reserve requirements. From this you will see that while the action removed a portion of the unused reserves which resulted from the abnormal inflow of gold, the remaining volume of reserves is not only unprecedented but is sufficient to support a credit expansion of approximately sixteen billion dollars, which would represent a 50% increase in the present volume of member bank deposits. Such deposits are now approximately as large as they were before the depression. Therefore, the suggestion that such action tends to nullify permanent good which the President has sought to establish has no foundation in fact.

With reference to your statement commenting upon the remark of some anonymous banker, the facts are:

First, that the law as it was under the act of 1935 and as it is under the act of 1935 required the approval of a majority of this Board in order to change reserve requirements, and that five was a majority of the previous Board of eight members, while four is a majority of the present Board of seven members. Hence, there is no significance in this change.

Second, while, as you state, the approval of the President is no longer required, the previous law made it

necessary for the President to declare that an emergency existed before this power could be used, and such a requirement made the power unworkable because even if no emergency existed, one would be percipitated if the President were obliged to make such a declaration. Moreover, this is to a large extent a technical matter and the authors of the Banking Act of 1935 felt, and the President agreed, that it was unfair to place upon the President the burden and responsibility which is in fact now exercised by a Board whose members have been nominated by the President and confirmed by the Senate.

Accordingly, the assumption that "we bankers kicked President Roosevelt out of control" is as unfounded in fact as is the assumption that the recent exercise of this power is not in the public interest as it is conceived by this Board, created by Congress and appointed by the President as an independent body to serve the public interest.

Very truly yours,

(sgd. Ronald Ransom)

Ronald Ransom,
Vice Chairman.

ET:b

THE WHITE HOUSE
WASHINGTON

August 10, 1936.

MEMORANDUM FOR

HONORABLE MARRINER S. ECCLES.

TO ANSWER.

F. D. R.

Andrae B. Nordskog
(Twice Nominated for U.S. Vice President)
Author of
"SPIKING THE GOLD"
The Book that is Rocking the Nation
~~P.O. Station "H"~~
Los Angeles, California
2827 Brighton Avenue

August 4, 1936.

Hon. Franklin D. Roosevelt,
President of the United States,
White House,
Washington, D.C.

My dear Mr. President:-

Under the Act of 1933, five members of the Federal Reserve Board, with the approval of the President of the United States, were empowered to determine the policy relating to the calling for excess reserves from banks belonging to the Federal Reserve System.

Under the Act of 1935, the law was amended so that four members of the Federal Reserve Board, without the approval of the President, were empowered to govern said policy, and were also empowered to demand as high as 100% of reserves in excess of the normal legal requirements.

A former Federal Reserve Director, at present an officer of one of the largest banks in America, when asked by the writer why the President, under the Act of 1935, was relieved of power to approve or disapprove any action in this regard by the Federal Reserve Board, he boastfully stated "We Bankers kicked President Roosevelt out of control, because we wanted no politics interfering with our monetary system."

As you can see by the enclosed folder, the writer has prepared data for a new book on this very subject. Owing to the fact that you, as President, were given the privilege of vetoing that part of the Amended Federal Reserve Act when it came before you in 1935, it becomes of great public interest at this time to have you state for publication whether or not that part of the amendment and its importance escaped your attention when it came before you for your consideration, or whether the former Federal Reserve Director's statement to the effect that they kicked President Roosevelt out of control shall go unchallenged.

Under your administration some 15 to 17 billions has been and is being spent for relief and rehabilitation. The Federal Reserve Board on July 15, 1936, issued an order demanding reserves 50% in excess of normal legal requirements, thus destroying potential bank credit in the sum of 15 to 17 billions of dollars and tending to nullify all of the permanent good you have been seeking to establish. The importance of this issue necessitates a personal response and acknowledgment of this letter.

Most respectfully yours,

Andrae B. Nordskog.

Encl:
"We Bankers" folder.

"We Bankers" vs. Four Financial Fascists

By ANDRAE B. NORDSKOG

Sequel to "SPIKING THE GOLD"

The Book that is Rocking the Nation

ANDRAE B. NORDSKOG
(Born in Iowa, U. S. A.)

•

"WE BANKERS"
kicked the Secretary of Treasury off the Federal Reserve Board.

"WE BANKERS"
kicked the Comptroller of Currency off the Federal Reserve Board.

"WE BANKERS"
kicked President Roosevelt out of control over the policy relating to excess reserves.

"WE BANKERS"
killed the Federal Reserve Bank franchise taxes due to the Government.

"WE BANKERS"
changed the Federal laws so that

FOUR FINANCIAL FASCISTS
with a stroke of the pen can destroy

30 BILLION DOLLARS
of potential bank credit arbitrarily.

•

Who was the spokesman for

"WE BANKERS"?
Was it Wall Street?
Was it international bankers?
Was it the League of Nations?

•

Facts, facts, facts that will startle the United States.

•

All Nations Will Read

"WE BANKERS"

X AUG 4 - 1936

THREE BILLIONS in GOLD-profit was saved for the Government as a result of the suit filed against the privately-owned and internationally-controlled Federal Reserve Banks by Mr. Nordskog and so acknowledged by the press.

Father Chas. E. Coughlin writes Mr. Nordskog: "I wish to congratulate you for the fine work you are doing along monetary lines." The famous radio Priest includes Spiking the Gold in the bibliography of his own book entitled "Money," only seven internationally-known economists being thus recognized.

The Congressional Library in Washington wired for a copy of Spiking the Gold and paid for it with a United States Treasury check. Boston Public Library bought a copy, as did many of the largest libraries in America. Los Angeles Public Library is using 15 copies of it.

Congressman William Lemke (candidate for President) writes Mr. Nordskog: "I wish to thank you for the splendid work you are doing."

Congressman Chas. G. Binderup (Nebraska) writes: "I am personally acquainted with Mr. Nordskog, and know him to be motivated by the highest ideals for the public welfare."

O. A. R. P., Ltd. (Townsend) Director, Senator Frank Arbuckle, says: "Never in all my experience have I found a book to compare with Spiking the Gold. I have read it five times."

A. N. Young, State President (Wisconsin Division) Farmers Union, writes Mr. Nordskog: "I have read your book Spiking the Gold twice and I want to say frankly that it is the best thing of the kind that I have read. I received 50 copies by express and sold all 50 copies at our State Convention."

Bennie Bye, Editor-Manager, Inter-County Leader, Centuria, Wisconsin, writes: "We have many calls for Spiking the Gold, and the Directors have instructed me to order 100 copies."

Mr. Nordskog since June, 1931, has been called upon to speak publicly for some 1200 audiences in 400 cities coast to coast on the subject of MONETARY REFORM. He stands as the pioneer of this generation in that field, and even European newspapers have given full-page reviews of his constructive work during this great crisis.

"SPIKING THE GOLD" gives the American history of money since the days of Washington. The most dynamic treatise in print. $1.00, postpaid.

"SPIKE THE BONDS" gives the history of the REPUDIATION of public bonds in the United States. Every taxpayer should read this story. 25 cents, postpaid.

"WE BANKERS." $1.00, postpaid.

GRIDIRON PUBLISHING CO.
2827 BRIGHTON AVENUE
LOS ANGELES, CALIFORNIA

ORDER FORM

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Please send postpaid the following books by ANDRAE B. NORDSKOG, for which find enclosed $_____

_____ copies "WE BANKERS" ($1.00)

_____ copies "SPIKING THE GOLD" ($1.00)

_____ copies "SPIKE THE BONDS" (25c)

("WE BANKERS" ready for delivery August, 1936. Mail your order today!)

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From
GRIDIRON PUBLISHING CO.
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AUG 4 - 1936
Marked Copy for President Roosevelt.

Sec. 562, P. L. & R

"WE BANKERS"
. . . VS. . . .
Four Financial Fascists

By ANDRAE B. NORDSKOG

To: _____

. . . ALL NATIONS WILL READ THIS BOOK . . .

WHAT WRECKED 15,000 BANKS IN THE UNITED STATES?

Why did the Federal Reserve Board destroy 15 billions of potential bank credit July 15, 1936?

"SPIKING THE GOLD"

. . has awakened America . .

Order Your Copy Today!

C O P Y

X-7771 Carded

February 1, 1934.

Mr. Albert C. Agnew, Counsel,
Federal Reserve Bank of San Francisco,
San Francisco, California.

Dear Mr. Agnew:

I regret that pressure of other matters of the utmost importance and urgency has prevented an earlier acknowledgment of your letters of December 11 and December 21, 1933, and your telegrams of January 10 and January 19, 1934, all with reference to the case of Nordskog v. Federal Reserve Bank of San Francisco.

I was very glad to learn from your telegram of January 19, 1934, that the court had granted your motion to dismiss the suit for improper venue. In the light of the statements contained in your telegram of January 10, I assume that the plaintiff will not re-file his suit in San Francisco, especially in view of the fact that the gold question seems to have been settled by the Gold Reserve Act of 1934, which was approved by the President on January 30, 1934.

It was the issues involved in the Gold Reserve Act of 1934 and the discussions which preceded it and which had been going on since the latter part of September, 1933, that caused me to attach so much importance to the Nordskog suit.

Those matters having been disposed of, I doubt that the suit would be of any importance even if the plaintiff should refile it in San Francisco and attempt to prosecute it vigorously. However, if there are any further developments in the case, I shall appreciate it if you will keep me promptly advised.

Thanking you for your cooperation in this matter and with all best wishes, I am

Cordially yours,

(Signed) Walter Wyatt

Walter Wyatt,
General Counsel.

Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Date February 1, 1934

To THE FEDERAL RESERVE BOARD

Subject: Nordskog v. Federal Reserve Bank of San Francisco, et al.

From WALTER WYATT, GENERAL COUNSEL.

300.011 GFO 16—852

FOR CIRCULATION

Gov. Black ✓
Mr. Hamlin ✓
Mr. Miller ✓
Mr. James absent
Mr. Thomas ✓
Mr. Szymczak ✓
~~Mr. O'Connor~~ ✓
Mr. Martin ✓
Mr. Morrill ✓
Mr. Bethea ✓
Mr. Carpenter ✓
Mr. Noell ✓
Mr. Smead ✓
Mr. Goldenweiser ✓
Mr. Paulger ✓
~~Mr. Wyatt~~

Please note --- check and return to ~~Mr. Carpenter~~ File

On December 5, 1933, I brought to the Board's attention a copy of a bill of complaint filed on November 22, 1933, in the United States District Court for the Southern District of California in the above entitled case and a copy of a letter written to me by Mr. Agnew, Counsel for the Federal Reserve Bank of San Francisco, regarding the case.

The Federal Reserve Bank of San Francisco filed a motion to dismiss the suit on the ground of improper venue, the suit having been brought in the United States District Court in Los Angeles, whereas it should have been brought in the United States District Court at San Francisco where the head office of the Federal Reserve Bank is located; and I am pleased to advise the Board that the court has sustained the motion and dismissed the suit.

Of course, it would be possible for the plaintiff to bring a new suit in the United States District Court at San Francisco raising the same issue; but Mr. Agnew informs me that, when the motion was argued, the plaintiff stated that if the suit were dismissed he did not believe that he would be able to continue the prosecution of the case at San Francisco. Moreover, most of the issues involved in that case have been settled by the Gold Reserve Act of 1934. It seems unlikely, therefore, that a new suit will be filed by Mr. Nordskog in San Francisco. However, I have asked Mr. Agnew to keep me advised of any further developments.

Respectfully,

Walter Wyatt

Walter Wyatt,
General Counsel.

Gov. Black.

No. 131

Office Correspondence

FEDERAL RESERVE BOARD

L-56

Date December 5, 1933.

To The Federal Reserve Board

Subject: Nordskog v. Federal Reserve Bank of San Francisco et al.

From Walter Wyatt, General Counsel.

300.0 FR

16—852

For the Board's information, there are respectfully submitted herewith a copy of a bill of complaint filed on November 22, 1933, in the United States District Court for the Southern District of California in the above entitled case, and a copy of a letter written to me by Mr. Agnew, Counsel for the Federal Reserve Bank of San Francisco, regarding the same.

This is a suit filed by a private individual on behalf of himself and on behalf of other citizens of the United States wherein the plaintiff seeks to accomplish two results:

(1) To require the Federal Reserve Bank of San Francisco to withdraw from circulation all of its Federal reserve notes and Federal reserve bank notes and to cease the issue and circulation of Federal reserve notes and Federal reserve banks notes; and

(2) To require the Federal Reserve Bank to pay and deliver to the Treasurer of the United States all gold coin, gold bullion and gold certificates now held or hereafter received by the Federal Reserve Bank, and to accept therefor "direct obligations of the United States Government in the form of non-interest bearing certificates, or currency, not to exceed the traditional gold standard price of $20.67 an ounce."

Apparently the suit is either in the nature of a "crank" suit or is brought for the purpose of obtaining publicity for the plaintiff. However, Mr. Agnew feels that it is a suit which we cannot afford to disregard or treat lightly and he states that, if I or Counsel for the other

Federal reserve banks consider it necessary or expedient, he would be glad to have some one of the Board's selection associated with him in the defense.

The time within which the Federal Reserve Bank must file a motion, answer or other pleading will expire on December 12, but Mr. Agnew anticipates obtaining an order of the court extending the time.

Upon a preliminary examination of the bill, I am inclined to the view that the plaintiff has no standing in court; and that the court would sustain a motion to dismiss the bill on the ground that it states no cause of action. However, I should like to study the case further before making a recommendation as to the best method of defense.

On the question whether special counsel should be retained, I am not yet prepared to make a definite recommendation; but I am inclined to think it would be advisable to retain special counsel -- not because there is any danger of losing the suit but because I think it would be advisable to have the points of law briefed very thoroughly and presented to the Court in the best manner possible with a view of obtaining from the Court helpful interpretations of the relevant provisions of the Federal Reserve Act and of the Emergency Banking Act of March 9, 1933.

This procedure was followed in a somewhat similar case, Raichle v. Federal Reserve Bank of New York, wherein a suit was brought in 1928 by a private individual to enjoin the Federal Reserve Bank of New York from raising the rediscount rate, engaging in open market operations, and doing other things which might cause member banks to call collateral loans or which might otherwise depress the market price of

stocks and bonds; and the litigation resulted in a very helpful opinion from the Circuit Court of Appeals construing various different provisions of the Federal Reserve Act, although the suit was dismissed on motion.

The plaintiff in the present case telegraphed the Acting Secretary of the Treasury that he had brought the suit and requested immediate advice as to whether the Treasury Department desired to join in the litigation as friend of the court. Mr. Harlan, one of the Counsel in the office of the Under Secretary, then wired Mr. Hale, Cashier of the Federal Reserve Bank of San Francisco, requesting copies of the complaint. In reply Mr. Hale inquired whether the Treasury Department desires to join the Federal Reserve Bank in defending the suit. Mr. Agnew advises me, however, that this inquiry arose solely out of the fact that the Treasury had wired for information regarding the case.

This memorandum is intended merely for the Board's preliminary information; and I shall submit a further report to the Board regarding the steps which I think should be taken to protect the interests of the Federal Reserve System.

Respectfully,

Walter Wyatt,
General Counsel.

COPY

300.D11

L-55

December 5, 1933.

TO: The Federal Reserve Board

FROM: Walter Wyatt, General Counsel.

SUBJECT: Nordskog v. Federal Reserve Bank of San Francisco et al.

Carded

For the Board's information, there are respectfully submitted herewith a copy of a bill of complaint filed on November 22, 1933, in the United States District Court for the Southern District of California in the above entitled case, and a copy of a letter written to me by Mr. Agnew, Counsel for the Federal Reserve Bank of San Francisco, regarding the same.

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Respectfully,

(Signed) Walter Wyatt
General Counsel.

WW:mw

C O P Y

L-55-a

FEDERAL RESERVE BANK OF SAN FRANCISCO

November 27, 1933.

Walter Wyatt, Esq.,
General Counsel,
Federal Reserve Board,
Washington, D. C.

Re: Nordskog vs. Federal Reserve Bank of San Francisco, Et Al.

Dear Mr. Wyatt:

I have received today and am hastening to send on to you copy of the complaint in the above entitled matter.

This complaint was filed in the United States District Court at Los Angeles on November 22. Our time to answer will expire on December 12, but I anticipate obtaining an order of court extending our time to plead.

The plaintiff, as you may surmise from the introductory paragraphs of the complaint, is a gentleman of extremely radical tendencies. The complaint as framed is undoubtedly subject to a motion to make more definite and certain, a demand for bill of particulars and a motion to dismiss. While a great deal of the material is entirely irrelevant and should be stricken, I do not consider that it is a suit which we can disregard or treat lightly. Therefore, while I have not had the opportunity of giving the matters contained in the complaint critical consideration, I am hastening to place it in your hands for such advice and counsel as you may see fit to give.

This is undoubtedly a suit affecting the entire System and if you or counsel to the other Federal Reserve Banks consider it necessary or expedient, I shall be glad to have someone of the Board's selection associated with me in the defense.

I have not made a sufficient number of copies of the complaint to distribute to counsel for the other Reserve Banks. Upon receipt of telegraphic instructions from you, I will attend to this if you consider it advisable or necessary.

I have today wired Mr. Logan, Counsel to the Federal Reserve Bank of New York, asking him to rush immediately all briefs, records and data in the Raichle suit. These I believe will be of assistance in the preparation of the motion to dismiss which I contemplate filing in the Nordskog case.

Kindest personal regards.

Yours very truly,

(Signed) Albert C. Agnew

Counsel.

Enclosure.

ACA:MA

COPY

L-55-a

FEDERAL RESERVE BANK OF SAN FRANCISCO

November 27, 1933.

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General Counsel,
Federal Reserve Board,
Washington, D. C.

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Kindest personal regards.

Yours very truly,

(Signed) Albert C. Agnew

Counsel.

Enclosure.

ACA:MA

IN THE DISTRICT COURT OF THE UNITED STATES

FOR THE SOUTHERN DISTRICT OF CALIFORNIA

CENTRAL DIVISION

****

ANDRAE B. NORDSKOG, on his own behalf and that of other citizens of the United States of America

PLAINTIFF

vs

THE FEDERAL RESERVE BANK, No. 12, a Corporation, of San Francisco, California, and JOHN U. CALKINS, Governor of the Federal Reserve Bank, No. 12

DEFENDANTS

C O M P L A I N T

and

D E M A N D

that the Federal Reserve Bank, No. 12, at San Francisco, California, cease issuing Federal Reserve Bank Notes, Federal Reserve Notes and the new type of Federal Reserve Bank Notes; and that said Bank deliver and turn over to the Treasurer of the United States the approximate $260,000,000 in gold coin, gold bullion and gold certificates of the United States now held by said Bank; and for other relief.

****

FOR A FIRST CAUSE OF ACTION, plaintiff alleges:

I

That plaintiff is a citizen and qualified elector of the city of Los Angeles, and the state of California, and is a natural born citizen of the United States of America, and is, and has been a qualified elector of the United States during the past twenty-seven (27) years, and since arriving at the age of twenty-one (21) years; and further alleges:

II

That plaintiff, because of his qualifications as a serious student of the questions of gold, silver, money, national and international finance, has been called upon by citizens throughout the country to speak before more than five hundred (500) public gatherings in more than two hundred (200) American cities from

coast to coast, and from the Canadian border to the Gulf of Mexico, on the subject mentioned in this paragraph, and further alleges:

III

That many thousands of people, in every walk of life, have urged the plaintiff with oral requests and letters and petitions to do any and all things necessary to properly protect the citizens of the United States as it pertains to the issuance of money, the regulation thereof, and the attempted control and manipulation thereof by private individuals, associations, corporations, or institutions other than the regularly constituted and duly elected government officers as provided for in Article II, Section 2, Paragraph 2 of the Constitution of the United States of America; and further alleges:

IV

That, at the urgent request of the many thousands of people herein referred to in the preceding paragraph, the plaintiff has written and published several publications: one book, known as, "Spiking the Gold"; another known as, "Spike the Bonds", and many articles dealing with the subjects in question in plaintiff's journal, "The Gridiron", and his magazine, "The New America", as well as journalistic contributions to scores of daily, weekly and monthly journals and magazines throughout the United States, and scores of radio broadcasts on this and kindred subjects over many broadcasting stations throughout the United States; and further alleges:

V

That, owing to the confidence placed in the plaintiff, 786 delegates from nearly every state in the Union, at the National Convention of the newly formed Liberty Party, held in Arkansas in August, 1931, nominated the plaintiff for the Vice-Presidency of the United States; and on July 4th, 1932, several independent political parties throughout the

United States, in a unity National Convention, held in Kansas City, Missouri, under the name of "Liberty Party of the United States", gave the plaintiff a second nomination for the Vice-Presidency, and plaintiff became the Standard Bearer of said Liberty Party in six (6) national speaking tours, embracing more than 60,000 miles of travel; and further alleges:

VI

That the main plank in the Platform of said Liberty Party specifically demanded monetary reform; and more specifically proclaimed that the Congress of the United States should have the sole issuing power of all money and the regulation of the value thereof, according to Paragraph 5, Section 8, Article I of the Constitution of the United States of America, which sole power was confirmed by the United States Supreme Court in the case of Ling Su Fan vs. United States of America, 218 U. S. 302-30 L.R.A. - U. S. - 1176, wherein the Court declared, "The power to 'coin money and regulate the value thereof, and of foreign coin' is a prerogative of sovereignty, and a power EXCLUSIVELY vested in Congress of the United States;" and further alleges:

VII

That the Federal Reserve Act, which was adopted December 23, 1913, conferred on certain private institutions, more definitely known as, "Federal Reserve Banks," twelve (12) in number, (and including Federal Reserve Bank, No. 12, at San Francisco, California,) the power to issue money; the Act also providing that these Federal Reserve Banks, including Federal Reserve Bank, No. 12, at San Francisco, California, (which will hereafter be referred to as, "defendant Bank, No. 12",) could receive charters from the Government to operate said banks by complying with the terms of Section 4 of said Federal Reserve Act; and providing also that said Federal Banks may "sue and be sued, complain and defend in any court of law or equity"; and plaintiff further alleges:

VIII

That the defendant Bank, No. 12, was chartered by the Government on or about September 1, 1914, to conduct business in accordance with the terms of the Federal Reserve Act, with headquarters situated at San Francisco, California, and now maintaining an authorized branch in the city of Los Angeles, California; and that said bank is a corporation duly authorized to operate and do business under the terms of the Federal Reserve Act of December 23, 1913, and may sue and be sued, complain and defend, in any court of law or equity; and plaintiff further alleges:

IX

That said Federal Reserve Banks, including defendant Bank, No. 12, pursuant to said Act, issued, on a form known as, "National Currency", Federal Reserve Bank Notes bearing the engraved signatures of the Governor and one other officer of said Federal Reserve Banks, and countersigned by the Register of the Treasury, and the Treasurer of the United States, and which notes bore the following inscription; "Secured by United States bonds deposited with the Treasurer of the United States of America"; the Act providing that notes of this character could be issued to 100% par value of bonds so deposited as security, and that such issuance should not be limited to the capital of said banks; and said Banks issued on a form known as, "Federal Reserve Notes", currency signed by the Treasurer of the United States and the United States Secretary of Treasury, which currency, or note, bore the insignia and designating letter of the Federal Reserve Bank to whom such note was issued, and bore on the face thereof that this note is "Redeemable in gold on demand at the United States Treasury, or in gold or lawful money at any Federal Reserve Bank"; and plaintiff further alleges:

X

That pursuant to the Amendment to the Federal Reserve Act,

(Section 18, Paragraph 6) dated March 6, 1933, extending additional powers to the Federal Reserve Banks to issue Federal Reserve Bank Notes to the extent of 90% of such Bank Notes in exchange for a deposit as security with the Treasurer of the United States of 100% collateral in the form of notes, drafts, bills of exchange or bankers' acceptances, said Bank No. 12 has issued, and circulated, nearly Ten Million Dollars ($10,000,000) of this type of currency, which is printed and engraved on the form used for National Bank Notes, and on which is engraved, "Secured by United States bonds deposited with the Treasurer of the United States of America", the same as appears on all National Bank notes; and underneath this statement is printed in very small type, "or by like deposit of other securities"; and on which National Bank form the word, "President" is obliterated, and the word, "Governor" is substituted; and on which is printed, "The Federal Reserve Bank of San Francisco, California, will pay to the bearer on demand Five Dollars", and this type of note is signed by the Governor and Cashier of said Bank, No. 12, and is countersigned by the Treasurer of the United States, and by the Register of the Treasury; and at the top of which appear the words, "National Currency"; and on which note is also printed, "Series of 1929"; and the plaintiff further alleges:

XI

That the privilege extended to the Federal Reserve Banks, including defendant Bank, No. 12, to issue the type of Federal Reserve Bank Notes heretofore described in Section IX of this Complaint, wherein said Banks are permitted to issue such currency without regard to the limitations of the capital of said banks, and defendant Bank, No. 12, is contrary to public policy in that it gives said banks, (which are private institutions), the almost unlimited power to convert United States bonds into a circulating medium upon which they are

privileged to extend credit far beyond the face value of such circulating medium, thereby making possible an unrestricted power of inflation, enabling said banks, and defendant Bank, No. 12, to increase the prices of all commodities and wages, and by inverse action, cause the lowering of commodity prices and wages, resulting in the actual control and regulation of the value of the money of the United States, in contravention to Paragraph 5, Section 8, Article I, of the Constitution of the United States, wherein the sole power to coin the money and regulate the value thereof is vested in the Congress of the United States of America; and plaintiff further alleges:

XII

That the type of Federal Reserve Notes, heretofore mentioned in Section IX of this Complaint, on which is printed, "Redeemable in gold on demand at the United States Treasury, or in gold or lawful money at any Federal Reserve Bank", is likewise contrary to public policy, because only 40 per centum of the amount of such note issues is secured by gold deposited with the Federal Reserve Agent, (who acts as Agent for the Federal Reserve Banks, and the Treasury of the United States), and of which said 40 per centum, only the sum of not to exceed 5 per centum in gold is credited to the Redemption Fund of the United States Treasury as security for said notes; clearly indicating the absolute insufficiency of the gold reserves in said Redemption Fund; and plaintiff further alleges:

XIII

That since the adoption by Congress of the Emergency Act of March, 1933, wherein it was required that the Federal Reserve Banks, and other banks, should not pay out gold in exchange for currency or other securities, and since the Proclamation made by the President, Franklin D. Roosevelt, on April 5, 1933, demanding, under certain conditions, that all persons, firms,

associations and corporations possessing more than One Hundred Dollars ($100.00) worth of gold, gold bullion or gold certificates of the United States should deliver said gold to the nearest bank, for delivery to the Federal Reserve Banks, the Federal Reserve Bank, No. 12, has issued and/or circulated for general circulation, Federal Reserve Notes of the type described in Section IX of this Complaint, and which notes contain the said gold Redemption Clause, notwithstanding that these notes at present are not redeemable in gold either at the United States Treasury, or at said defendant Bank, No. 12, or at any other Federal Reserve Bank in the Federal Reserve System, as called for in said Redemption Clause; and that the language used on these notes is misleading, and a direct misrepresentation of fact, and constitutes a fraud against the receiver thereof; and that the issuance and circulation of, and withdrawal, retirement and destruction of these notes tends to regulate the value, not only of said notes, but of all other types of money in common use in the United States and is therefore an encroachment upon the prerogative of Congress, and a usurpation of the Congressional powers granted in Paragraph 5, Section 8, Article I, of the Constitution, which specifically empowers Congress alone to coin the money and regulate the value thereof, and of foreign coin; and plaintiff further alleges:

XIV

That the issuance of the new type of Federal Reserve Bank Notes, heretofore described in Section X of this Complaint, by the defendant Bank, No. 12, is also contrary to public policy, and is a gross discrimination against other prevailing types of currency, in that they are not secured by gold, as are the United States gold certificates, nor are they secured by not to exceed 5% of gold in the Redemption Fund of the United States Treasury, as are Federal Reserve Notes, nor are they secured by United States bonds, as are the notes issued by the National

Banks of the United States, but are issued solely on commodity collateral, or other types of securities possessing an ever-fluctuating and questionable value, supplied by the customers of said defendant Bank, No. 12, and because of this additional power to issue this type of circulating medium, with almost unlimited privileges of inflating the currency supply of the Nation, the defendant Bank, No. 12, is, and has been, usurping the powers of Congress, and is issuing such notes in contravention to the terms of Paragraph 5, Section 8, Article I, of the Constitution; and plaintiff further alleges:

XV

That the Amendment to the Federal Reserve Act, in Paragraph 6, Section 18, which provides for the issuance of the new type of Federal Reserve Bank Notes, heretofore described in Section X of this Complaint, makes no provision for the depositing of "United States bonds" with the Treasurer of the United States as security for this type of currency; said Amendment likewise makes no provision for printing on the face of said notes that they are "secured by United States bonds deposited with the Treasurer of the United States, or by like deposit of other securities"; and plaintiff further alleges:

XVI

That the printing on the face of this new type of Federal Reserve Bank Notes, heretofore described in Section X of this Complaint, that said notes are secured by "United States bonds", or "by like deposit of other securities", is done without the authority of Congress, and is therefore without foundation in law, thus constituting the actual usurpation of Congressional power; and the printing on the face of said notes, "Series of 1929", is a misstatement of fact, because this new type of Federal Reserve Bank note was issued under the authority of Congress granted in the Amendment of March 6, 1933, and constituted a

distinctly different type of currency from the Federal Reserve Bank Notes issued under the terms of the original Federal Reserve Act, and also different from the National Bank Notes, issued under the National Bank Act; and plaintiff further alleges:

XVII

That on June 5, 1933, the Congress of the United States adopted a joint Resolution in which it ordained that currency such as the Federal Reserve Bank Notes, which were issued under the original Federal Reserve Act, Federal Reserve Notes, issued under the same Act, and the new type of Federal Reserve Bank Notes, issued under the Amendment to the Federal Reserve Act (Paragraph 6, Section 18), dated March 6, 1933, should become legal tender; and plaintiff further alleges:

XVIII

That on the face of said Federal Reserve Bank Notes it declares that the Federal Reserve Bank of San Francisco, California, "will pay to the bearer on demand Five Dollars"; and on the face of the Federal Reserve Notes it declares that "The United States of America will pay to the bearer on demand Five Dollars", thus clearly indicating that the foregoing types of currency are merely promises to pay money on demand, and the language contained thereon is incorrect and misleading, and for this reason, and foregoing reasons, should not be allowed to circulate; and that the Federal Reserve Notes containing the promise of the United States Treasury to pay the face value of such notes in gold is false and misleading, and that it is a challenge against the integrity of the people of the United States and their Government to permit such privately issued notes to continue to circulate; and plaintiff further alleges:

XIX

That during the inflationary period of 1915 to 1920, at which time the defendant Bank, No. 12, and the other Federal

Reserve Banks, issued and released for circulation several billion dollars in currency known as, "Federal Reserve Notes", and, "Federal Reserve Bank Notes", they caused an increase in the price of commodities, due to the abundance of money, resulting in a decline in the value of the dollar -- clearly indicating that the defendant Bank, No. 12, and other Federal Reserve Banks actually regulated the value of the money, and thus usurped the powers vested EXCLUSIVELY in Congress under the Constitution; and plaintiff further alleges:

XX

That the Class A Directors of the Federal Reserve Banks, including the defendant Bank, No. 12, assembled in Washington, D. C., May 18, 1920, and adopted a program of deflation of Federal Reserve Notes and Federal Reserve Bank Notes, which resulted in the rapid increase of interest charges on rediscounts, thus bringing about the cancellation of many loans to member banks, due to the inability of said banks to meet the increased interest rates; and plaintiff further alleges:

XXI

That, as a result of the policy of deflation adopted by said Class A Directors of the 12 Federal Reserve Banks, including defendant Bank, No. 12, meeting in Washington, D. C., May 19, 1920, more than Five Hundred Million Dollars ($500,000,000) worth of Federal Reserve Notes and Federal Reserve Bank Notes, previously issued and released by said banks, were withdrawn from circulation in 1920, and retired, cancelled and destroyed; and as a result of the same policy being in effect the following year, approximately the same amount of this type of currency was withdrawn from circulation in 1921, and likewise retired, cancelled and destroyed; and plaintiff further alleges:

XXII

That as a direct result of this method of issuance,

manipulation, withdrawal and destruction of currency, bank failures in the United States increased from 49 such failures in 1920, to 354 bank failures in 1921, and further increased to 397 such failures in 1922; and plaintiff further alleges:

XXIII

That, as an additional result of such issuance, manipulation, withdrawal and destruction of currency by the Federal Reserve Banks, including defendant Bank, No. 12, failures of commercial and industrial institutions increased in the United States from 8800 such failures in 1920, to more than 15,000 such failures in 1921, and to more than 20,000 such failures in the year 1922; and plaintiff further alleges:

XXIV

That as a further result of such issuance, manipulation, withdrawal and destruction of currency by the Federal Reserve Bank including defendant Bank, No. 12, the commodity index finger, which stood at 1.54, (based on a pre-war level of 1), fell within the two-year period of 1921 and 1922 to .68 on a list of 555 commodities, including real estate, which constituted a drop of approximately 57% by the end of 1922 on the prices of 555 commodities, compared to the price level existing in the early part of 1920, and which increased the value of the Dollar by inverse ratio; and plaintiff further alleges:

XXV

That, because of the more recent issuance, manipulation, withdrawal and destruction of currency by the Federal Reserve Banks including defendant Bank, No. 12, bank failures in the United States increased from 490 such failures in 1928, to 642 such failures in 1929, to 1345 such failures in 1920, to 2320 such failures in 1931, to 3200 such failures in 1932, and, due to the wholesale bank failures in the first 2 months of 1933, which resulted in the Proclamation of Bank Holidays by the Governors

of several states, an edict was issued, March 6, 1933, by the President of the United States that all banks in the country should take an enforced holiday for an indefinite period; and plaintiff further alleges:

XVI

That, while the Federal Reserve Banks were established under the Act of 1913, ostensibly for the purpose of creating a reserve system which would add flexibility to banking operations in the United States, and give adequate protection to all of the member banks, the reverse has been true, as the result of the manipulation of currency by the defendant Bank, No. 12, and the other Federal Reserve Banks, as is clearly shown by the plaintiff in the foregoing sections of this Complaint, and which has led to the destruction of member banks, destruction of commercial, industrial and agricultural institutions, and has resulted in the wholesale discharge of employees, until at the present time approximately fifteen million (15,000,000) persons in the United States are unemployed, who, together with their dependents, constitute a vast army approximating forty million (40,000,000) men, women and children who are at present dependent upon charity for their subsistence; and plaintiff further alleges:

XXVII

That the Hon. Louis T. McFadden, in a hearing before the Committee on Banking and Currency, Feb. 10, 1930, stated that a loan had previously been negotiated for $300,000,000 to the Bank of England and England, through their fiscal agents, J. P. Morgan and Company, the Morgan Company taking $100,000,000, for which said company were paid a commission of $1,125,000.00, and the Federal Reserve Banks the balance, $200,000,000; said loan had been apportioned to the eleven (11) Reserve Banks outside of New York, and prorated according to their capitalization, on demand made by the

New York Federal Reserve Bank; and testimony was given before the Senate Investigating Committee that the Governor and/or Directors of the New York Federal Reserve Bank, when negotiating this huge loan, did not consult the members of the Federal Reserve Board, who stated that they knew nothing of the transaction until after the loan had been made; and plaintiff further alleges:

XXVIII

That the facts cited in the foregoing paragraph clearly indicate that the privately owned Federal Reserve Banks, including defendant Bank, No. 12, are not controlled as to their policy or several policies, as the case may be, by the Federal Reserve Board, but on the contrary they adopt such codes and policies as best further their private interests, irrespective of the effect of such codes and policies on the American People.

WHEREFORE Plaintiff prays that the Honorable Court shall decree that all types of circulating currency issued by Federal Reserve Bank, No. 12, including Federal Reserve Bank Notes, (issued under the original terms of the Federal Reserve Act), Federal Reserve Notes, (containing the Gold Redemption Clause), and the new type of Federal Reserve Bank notes, (issued under the Amendment to said Act, March 6, 1933), shall be ordered withdrawn from circulation by said Bank, and shall be returned to the Comptroller of Currency of the United States, retired from circulation and destroyed, because the issuance and circulation of said notes is contrary to the terms of Paragraph 5 Section 8 Article I of the Constitution of the United States of America; and that Federal Reserve Bank, No. 12, shall be forever prohibited from the issuance and circulation of said Federal Reserve Bank Notes, (issued under the terms of the original Federal Reserve Act) Federal Reserve Notes, (containing the Gold Redemption Clause), and the new type of Federal Reserve Bank Notes (issued under the

terms of the Amendment to said Act, Paragraph 6, Section 18), of March 6, 1933, because such continued issuance and circulation would constitute a violation of the terms of Paragraph 5, Section 8, Article I of the Constitution of the United States of America, which Constitutional provision expressly declares that such issuance is a prerogative of the Congress of the United States of America, and is a Constitutional power not subject to be delegated to exercise by private individuals or corporations, any more than the operation of the United States War Department or the United States Navy could be delegated to private individuals or Corporations; and for such further relief as in the judgment of the Honorable Court may be deemed just and equitable for the protection of the Citizens of the United States of America, and for the preservation of their fundamental rights as guaranteed under the Constitution.

* * * * *

AND FOR A SECOND CAUSE OF ACTION, plaintiff alleges:

I

That in properly qualifying as one who is authorized to Complain and Demand on behalf of the fellow Citizens in this Second Cause of Action, Sections II, III, IV, V and VI are the same as those sections similarly numbered in the First Cause of Action; and plaintiff further alleges:

VII

That on the 18th day of November, 1933, plaintiff, through his agent, presented to the Los Angeles, California branch of defendant Federal Reserve Bank, No. 12, (which will hereafter be referred to as, "defendant Bank, No. 12), a Federal Reserve Note, (issued by said defendant Bank, No. 12), bearing the inscription, "Twenty Dollars," and another inscription, "redeemable in gold on demand at the United States Treasury, or in gold or lawful

money at any Federal Reserve Bank", and demanded in exchange therefor, $20.00 in gold; whereupon the Teller at said bank refused to pay said gold on demand, as called for on said Twenty Dollar Federal Reserve Note; and plaintiff further alleges:

VIII

That his agent then demanded said "lawful money" in exchange therefor, and as called for on said Twenty Dollar Federal Reserve Note; and that thereupon the Teller of said Bank declared that he could pay to said agent a Twenty Dollar Note of the same kind in exchange therefor, which also carried the inscription "redeemable in gold at the United States Treasury, or in gold or lawful money at any Federal Reserve Bank"; and plaintiff further alleges:

IX

That his agent then presented to the Teller of said defendant Bank, No. 12, a Federal Reserve Bank Note bearing the inscription "Twenty Dollars", and bearing another inscription, "Secured by United States bonds deposited with the United States Treasury, or by a like deposit of other securities", and still another inscription, "The Federal Reserve Bank of San Francisco, California will pay to the bearer on demand Twenty Dollars", and demanded in exchange therefor, "Twenty Dollars" as called for on the face of said Note; whereupon the Teller of said defendant Bank, No. 12 declared that he could pay to said agent a Twenty Dollar Federal Reserve Bank Note of the same kind, or a Federal Reserve Note containing the Gold Redemption Clause, the same as the one in exchange for which said Teller had refused to redeem in gold, stating that both of these types of currency were lawful money, and that pursuant to a joint Resolution of Congress, June 5, 1933, these types of currency were declared to be legal tender, owing to the Edict issued by the President of the United States, April 5, 1933, ordering the withdrawal, under certain conditions, of all gold coin, gold bullion and gold certificates of the United States

from circulation; and plaintiff further alleges:

X

That, pursuant to the Order of the President of the United States, April 5, 1933, wherein, under certain conditions, all gold coin, gold bullion and gold certificates of the United States of America should be withdrawn from circulation, millions of dollars of such gold coin, gold bullion and gold certificates were delivered by individual, firms, associations and corporations to the member Banks in the Federal Reserve System, and then shipped and delivered to the defendant Bank, No. 12; and plaintiff further alleges:

XI

That said gold coin, gold bullion and gold certificates thus withdrawn from circulation among individuals, firms, associations and corporations, are now deposited in the private vaults of said Federal Reserve Bank, No. 12, and kept on deposit to the private account of said Bank; and plaintiff further alleges:

XII

That, according to an Associated Press dispatch, of November 10, 1933, dated at San Francisco, California, and published in the Los Angeles Examiner of November 11, 1933, (a daily newspaper published in the city of Los Angeles, California), it is reported that one year ago the gold reserves of the Twelfth District Central Bank, (meaning defendant Bank, No. 12), amounted to Two Hundred Two Million, Seven Hundred Fifty-five Thousand Dollars, ($202,755,000); that a week prior to November 10, 1933, said gold reserves were Two Hundred Fifty Million, Seven Hundred Twelve Thousand Dollars, ($250,712,000); and that on November 10, 1933, said gold reserves had risen to Two Hundred Sixty Million, Four Hundred Seventeen Thousand Dollars ($260,417,000), indicating an influx of nearly Ten Million Dollars ($10,000,000) in gold in a single week, or at the rate of One and Three Quarter Million Dollars

per day, on the basis of a five and one-half ($5\frac{1}{2}$) day banking week; and plaintiff further alleges:

XIII

Said Associated Press news article, dated November 10, 1933, reported that the total currency issued by said defendant Bank, No. 12, rose to Two Hundred Twenty-four Million, Eight Hundred Twenty-two Thousand Dollars ($224,822,000) during that week, from Two Hundred Twenty-two Million, Five Hundred Thirty-four Thousand Dollars ($222,534,000) in the preceding week; and that of the total currency outstanding, Two Hundred Fourteen Million, Nine Hundred Thirty-four Thousand Dollars ($214,934,000) is in Federal Reserve Notes, and Nine Million, Eight Hundred Eighty-eight Thousand Dollars ($9,888,000) is in Federal Reserve Bank Notes; and that the latter Notes are "identical" with the former, "except that they bear no gold redemption promise, and do not have to be backed with any gold. They do require a backing of full value in bankable assets. This type of Notes has risen gradually in volume since it was authorized early this year, and the current figure is the highest yet reported by the San Francisco Reserve Bank; and said Associated Press news article, of November 10, 1933, further reported that "The legal requirement of gold backing of Federal Reserve Notes is 30%, but the Bank's gold far exceeds its outstanding Federal Reserve Notes, hence the backing is 100% gold, with plenty to spare"; and plaintiff further alleges:

XIV

That on the 13th day of November, 1933, he talked with the Los Angeles Manager of the Associated Press, and read the text of the news article referred to in the foregoing paragraph, and asked him if he would vouch for the authenticity of the statements contained therein; plaintiff called his attention to the fact that the article referred to stated that 30% of gold was the legal requirement for reserves back of the Federal Reserve Notes, and

that, according to the terms of the Federal Reserve Act, 40% of gold reserves back of such Notes was the legal requirement; and plaintiff also told him that that portion of the article which stated that the gold reserves of the Federal Reserve Bank, No. 12, were approximately $260,000,000, and that this sum was in excess of 100% of the amount of Federal Reserve Notes and Federal Reserve Bank Notes then in circulation, was incorrect, - and that insomuch as the United States of America was at the present time off the gold standard, it was erroneous and misleading to state to the public that the gold now being held by the defendant Bank, No. 12, was "gold reserves"; and that the portion of the news article referred to which stated that the Federal Reserve Bank Notes, which were backed up by certain acceptable collateral, were "identical" with the Federal Reserve Notes, except that they were not backed up by gold, as are the Federal Reserve Notes, was also erroneous and misleading; whereupon the Los Angeles Manager of the Associated Press stated that reports of this character invariably are quoted through the Associated Press Service exactly as they are presented to them by the defendant Bank, No. 12; and plaintiff further alleges:

XV

That, accepting the statement of said Los Angeles Manager of the Associated Press as being true and correct, then plaintiff is made to believe that said Associated Press report, above referred to, is part of a subtle campaign of propaganda, containing misstatements of fact, in order to deceive the public into the belief that said Federal Reserve Notes (containing the Gold Redemption Clause) are still backed by more than 100% of gold reserves, when as a matter of fact it is evidenced by the refusal of the Teller in the defendant Bank, No. 12, at Los Angeles, to redeem said Twenty Dollar Federal Reserve Note, that said Notes definitely are not backed by a reserve of gold available for redemption purposes;

and plaintiff further alleges:

XVI

That the above stated sum of approximately Two Hundred Sixty Million Dollars ($260,000,000) in gold, possessed by defendant Bank, No. 12, is part of the purported amount of approximately Three Billion, Six Hundred Million Dollars ($3,600,000,000) in gold which is held in the Federal Reserve System by the twelve (12) Regional Federal Reserve Banks; and that the sum of gold alleged to be held by said 12 Regional Banks is purported to be in excess of the amount of the total issues of Federal Reserve Notes and Federal Reserve Bank Notes issued by said Banks; and plaintiff further alleges:

XVII

That, under the Act of Congress, March 9, 1933, adopted at eight-thirty P. M. that day, under Title I, Section 3, it provides that "Section 11 of the Federal Reserve Act is amended by adding at the end thereof the following new sub-section:

'(n) Whenever in the judgment of the Secretary of the Treasury such action is necessary to protect the currency system of the United States, the Secretary of the Treasury, in his discretion, may require any or all individuals, partnerships, associations and corporations to pay and deliver to the Treasurer of the United States any or all gold coin, gold bullion and gold certificates owned by such individuals, partnerships, associations and corporations. Upon receipt of such gold coin, gold bullion or gold certificates, the Secretary of Treasury shall pay therefor an equivalent of any other form of coin or currency coined or issued under the laws of the United States. The Secretary of Treasury shall pay all costs of the transportation of such gold bullion, gold certificates, coin or currency, including the cost of insurance, protection and such other incidental costs as may be reasonably necessary. Any individual,

partnership, association or corporation failing to comply with any requirement of the Secretary of Treasury made under this sub-section shall be subject to a penalty equal to twice the value of the gold or gold certificates in respect of which such failure occurred, and such penalty may be collected by the Secretary of the Treasury by suit or otherwise'."; and plaintiff further alleges:

XVIII

That on November 16, 1933 the Honorable Federal Judge John M. Woolsey, in the District of New York City, upon hearing the evidence submitted by the United States Attorney, George Z. Medailie, in the case of Mr. Frederick Barber Campbell, (lawyer and capitalist of New York City, who was on trial before said Court under indictment for failure to report, and failure to surrender, about Two Hundred Thousand Dollars ($200,000.00) in gold to the Federal Reserve Bank of New York, as called for in President Franklin D. Roosevelt's order of April, 5, 1933,) that it was not legal for the President to issue such an order, because Congress, on March 9, 1933, had specifically delegated this power to the Secretary of the Treasury; and plaintiff further alleges:

XIX

That he has discussed with certain Congressmen the motive which prompted them to vote in favor of the adoption of the above referred to Amendment to the Federal Reserve Act, wherein it expressly stipulates that "in the judgment of the Secretary of the Treasury" the gold supply and gold certificates in general circulation might, under certain conditions, be ordered withdrawn from circulation by the Secretary of the Treasury, to be brought and delivered to the Treasurer of the United States, and plaintiff was advised by said Congressmen that they voted to adopt said Amendment with the definite understanding that should

the gold supply and gold certificates then in general circulation be ordered withdrawn from circulation, it would be brought to the Treasurer of the United States, and placed to the account of the United States of America; and that when plaintiff asked said Congressmen if they would have voted in favor of the adoption of said Amendment had they believed that said gold supply and gold certificates would be withdrawn for the benefit of, and to the deposit of, certain private institutions, known as, "Federal Reserve Banks," and not for the account of the people of the United States, they stated that they would not have voted for the adoption of such a measure; and plaintiff further alleges:

XX

That by virtue of the power vested in the Secretary of the Treasury, under the Act of March 9, 1933, to withdraw said gold and gold certificates from circulation and bring it into the Treasury of the United States, all such gold coin, gold bullion and gold certificates which has been forcibly withdrawn from millions of Citizens of the United States, and deposited to the credit and private account of the Federal Reserve Banks, including defendant Bank, No. 12, (purportedly pursuant to the provisions of said Act,) all such gold coin, gold bullion and gold certificates which has been brought to the defendant Bank, No. 12, by individuals, partnerships, associations or corporations, together with all gold coin, gold bullion and gold certificates owned by said defendant Bank, No. 12, (which, according to the report of November 10, 1933, amounts to $260,417,000 plus any amounts subsequently added thereto) should have been delivered, pursuant to the terms of said Act to the Treasurer of the United States; and the plaintiff further alleges:

XXI

That, pursuant to the Order recently issued by the President of the United States, that the privately owned Federal Reserve

Bank of New York should act as fiscal agent for the United States Government, and be authorized to purchase gold in European countries at a price greatly in excess of the traditional price of $20.67 an ounce, which has been the standard for many years in the United States, said Bank has purchased gold in Paris and London, (allegedly ear-marked for certain American Citizens) at a price which is $1.25 per ounce higher than the world market price, and that such prices have been as high as $33.56 an ounce, which is $12.89 above the traditional normal price; and that statements, purportedly made by officers of said New York Federal Reserve Bank, indicate that they are continuing to purchase such "American ear-marked gold" with Reconstruction Finance Corporation bonds, and paying a premium in said bonds for said gold, in order to enable said certain American Citizens to obtain ready cash from New York banks through the discounting of said bonds at the par value of the sale price of said gold; and plaintiff further alleges:

XXII

That if the practice of purchasing gold, as indicated in the preceding section, is to continue unrestricted, then it is the belief of plaintiff that when gold prices have been artificially driven up to the very peak, then the Federal Reserve Banks, including defendant Bank, No. 12, will seek to sell the gold they are now holding to the United States Government at such peak price as may then prevail, and will demand in exchange therefor Reconstruction Finance Corporation bonds, of which they will demand a margin sufficient to permit the immediate discounting of said bonds for cash, without impairing the parity of said peak sale price; and plaintiff further alleges:

XXIII

That if the anticipated practice, as outlined in the preceding paragraph, is actually carried out, it will work to the injury of the great majority of the American People, for the

benefit and gain of the few who are the Stockholders and Owners of said Federal Reserve Banks:

WHEREFORE plaintiff prays, for the benefit and good of the great majority of the Citizens of the United States of America, that the Honorable Court shall ordain and decree that all gold coin, gold bullion and gold certificates now privately held by the Federal Reserve Bank, No. 12, of San Francisco, California, and all such gold coin, gold bullion and gold certificates which shall, from time to time, (pursuant to the provisions of Section 3, of Title I of the Emergency Banking Act of March 9, 1933) come into possession of said Bank, shall be delivered to the Treasurer of the United States for the account of the United States Government, as was intended by the provisions of said Act; and plaintiff further prays:

That in payment of said gold coin, gold bullion and gold certificates, the Treasurer of the United States shall pay to the Federal Reserve Bank, No. 12, direct obligations of the United States Government in the form of non-interest bearing certificates, or currency, not to exceed the traditional gold standard price of $20.67 an ounce, and plaintiff further prays:

That, should the Honorable Court ordain and decree that Federal Reserve Bank, No. 12, must deliver to the Treasurer of the United States all gold coin, gold bullion and gold certificates now held by said Bank, and approximating $260,000,000 in value, (at the traditional gold standard rate of $20.67 an ounce), and should said Bank, fail, neglect or refuse to deliver to the Treasurer of the United States said gold coin, gold bullion and gold certificates, then in accordance with the terms of the Act of March 9, 1933, said Bank should be made to pay to the United States Treasury, as a penalty for the violation of the terms of said Act, approximately Five Hundred Twenty Million Dollars

($520,000,000), or a sum "equal to twice the value of the gold or gold certificates in respect of which such failure occurred", as expressly provided for in Section 3 of said Act; and for such further relief for the protection of the great majority of American Citizens as in the judgment of the Honorable Court will be most equitable and just.

_____

PLAINTIFF

Dated at Los Angeles, California

6205½ South Vermont Avenue,

November 18, 1933

STATE OF CALIFORNIA)
(ss.
COUNTY OF LOS ANGELES)

ANDRAE B. NORDSKOG, being first duly sworn, deposes and says:

That he is the Plaintiff in the action as entitled above; that he has read the foregoing COMPLAINT AND DEMAND, and knows the contents thereof; and that the same is true of his own knowledge, except as to matters which are therein stated upon information or belief, and as to those matters that he believes it to be true.

ANDRAE B. NORDSKOG

Subscribed and sworn to before me,
this 18th day of November, 1933.

JOSEPHINE A. MILLER

Notary Public in and for the County
of Los Angeles, State of California.