

FORCES MOBILIZED TO WAR ON FOES OF CENTRAL BANK

CHAMPIONS OF CENTRAL BANK



JAMES H. A. CROMWELL

Leaders of a group organized today under the banner of the "Sound Money League," which stands squarely for a central bank, owned by the Government.



ROBERT L. OWEN

SOUND MONEY LEAGUE FORMED

Stability of Currency
and Credit Called
For by Group

Opposed to the allied Tory-banker forces in the coming Congressional battle over the creation of a Federal Central Bank will be a nation-wide army of "Sound Money" men under the vigorous leadership of former Senator Robert L. Owen.

Under the banner of the "Sound Money League" which became an organized entity today a group of leading lawyers, publicists, financial and monetary experts and business men stands squarely for "a Central Bank, owned by the Government, which, by legislative mandate, shall be instructed to maintain at all times an adequate supply of credit and currency of equitable purchasing power."

Among the men who are marshaling sound money forces throughout the United States to push the fight are the following officers of the Sound Money League:

Robert L. Owen, president; James H. R. Cromwell and Robert M. Harriss, vice-presidents; Allen McCurdy, general secretary; F. Shepard Cornell, treasurer; Herbert Bruce Brougham, executive secretary and James H. Hayes, general counsel.

Other Leaders

Amos Pinchot, lawyer and publicist and brother of the Governor of Pennsylvania, and Burgoyne Hamilton, New York real estate operator, along with Messrs. Cornell, Cornell and Harriss comprise the league's executive committee.

In announcing the formation of the league today, Senator Owen said:

"The league is advised that the banking and currency committees of Congress will take under active consideration the proposal to establish a Federal central bank. The league is likewise cognizant of the comprehensive study which the Administration has for several months been giving to this proposal. It is further aware of the activities of the American Management Association and of bodies connected with the American Bankers' Association, which are reported to be in opposition to the movement for a central bank.

"To such opposers I wish to say that the Sound Money League sponsors this movement to establish a central bank by the Government, under legislative mandate, for the adequate supply of credit and currency of equitable purchasing power. But the league wishes it clearly understood that such purpose can be accomplished without inflation, and without the central bank's becoming a competitor to the private banking institutions of the country.

"I do not pretend to speak for the President or for his advisers who are conscientiously studying this question. But I cannot believe that they are meditating erection of a Government central bank that would lend to business, directly or indirectly, in competition with private banks.

Should Fill Gap

"The prime and final purposes of a central bank should be to fill the gap left in the nation's credit-money system through the destruction of some twenty billion dollars in bank deposits, and to make the buying and debt-paying power of the dollar stable. This we believe can be worked out by the committees of Congress in such manner that there need be no call for the Govern-

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MOBILIZE FORCES FOR CENTRAL BANK

Sound Money League Aimed at Stability of Currency and Credit

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ment's going into the business of commercial lending."

Conformably with its incorporation the league makes the following statement:

"The league proposes to hasten the end of this depression, relieve unemployment, restore values and fight either inflation or deflation. The league demands that Congress exercise the constitutional duty to regulate the value of money, a duty heretofore left in the hands of the privately owned Federal Reserve System.

"To these ends the league demands that Congress create a Central Bank, owned by the Government, which, by legislative mandate, shall be instructed to maintain at all times an adequate supply of credit and currency of equitable purchasing power.

To Poll Office Seekers

"The League will request that all candidates for Congress answer 'YES' or 'NO' to this proposed plan and will give publicity to their replies.

"The Sound Money League is opposed to the Central Bank's entering into competition with private or commercial banks."

This statement is accompanied by an outgiving which details the purposes and objectives of the League, as follows:

"The Sound Money League is a nonpartisan association. Its purpose is to prevent both inflation and 'deflation' and provide the American public at all times with an adequate supply of credit and currency of equitable buying and debt-paying power. In the words of President Roosevelt, sound money is 'a dollar which will not change its purchasing and debt-paying power during the succeeding generation.'

Need Is Proven

"The need of sound money is proved by the fact that the buying power of the American dollar has been disastrously unstable. Measured in terms of 784 commodities, it was 60 in May, 1920, and 166 in February, 1933. In other words, any one who contracted an obligation in 1920, in order to pay his debt in 1933, would have had to sell nearly three times more goods or commodities than he would have had to sell nearly three times more goods or commodities than he would have had to sell in 1920. It is incredible with such conditions, which disorganize business and agriculture, periodically plunge the country into unhealthy booms, and are invariably followed by stagnation and uncertainty, that many people still venture to 'call our dollar sound.'

"American money consists normally of five billions of currency and about fifty billions of bank deposits, demand and time. Demand deposits are the chief source of check money, which transacts nine-tenths of the nation's business and changes hands about forty times a year. When your bank calls your loan for \$1,000, this in effect destroys the opportunity for \$40,000 worth of business transactions in twelve months' time.

Significant Figures

"In 1929, when the demand deposits in this country were twenty-eight billions, our business transactions amounted to over a thousand billion dollars. By 1933, under Federal Reserve control, when demand deposits were contracted to fourteen billions, our business transactions fell to less than five hundred billions. This destruction of fourteen billions of bank deposits, with its direct, disastrous and far-reaching economic results, is what is called 'deflation.' It is quite as important to safeguard the American people against deflation as against inflation.

credit in speculative times when it should be contracted, and contract it in bad times when it should be expanded and made available. For this reason it is clear that a privately owned system of control can never attain the economic security which the country urgently needs.

"Both the Democratic and Republican national platforms have promised sound money. Both have pointed out that a major cause of the depression is uncontrolled expansion and contraction of credit. Both have pledged effective remedial action. But no such action has taken place.

People Are Fed Up

"The American people are fed-up with three decades of broken promises and procrastination and five years of depression and grinding poverty. In increasing numbers, the people are beginning to believe that there is no good in any part of our privately owned banking system. The sentiment that every bank in the nation should be owned and operated by the Government is spreading with alarming speed.

"The Sound Money League is firmly opposed to socialization of American banking. The league believes, however, that the reorganization of our banking system and the prompt creation of a Government-owned central agency to stabilize money and provide credit may be the only instrument which can save the private banks. Local bankers must continue to grant or refuse credit to individuals. The function of the Central Bank should be to control the total amount of bank credit money manufactured by all the banks of the nation.

"It must be remembered that a so-called gold standard does not protect this country from destructive inflation. Under the laws of the United States, credit or bank money may be expanded to twenty-eight times the amount of gold in bank reserves. Since there are now about eight billions of gold owned by the United States, our money, if it remains uncontrolled by a central monetary authority, could legally be expanded to 224 billions. This would threaten national economic collapse.

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"The league points out that efficient stabilization can be attained only by Government ownership of a central bank dedicated to guaranteeing the economic safety and welfare of all the people. It is obvious that efficient stabilization can never be attained by a privately owned system like the Federal Reserve, which is conducted for the profit of a comparatively small group of stockholders.

History Is Proof

"The proof of this lies in the nation's history. From 1926, through 1929, under the control of the privately owned Federal Reserve System, we had an uncontrolled credit system. From 1929 to 1932, we had an uncontrolled credit 'deflation,' which still persists. It is true that a few feeble and tentative efforts were made by the Federal Reserve System to stem the equally dangerous tides of inflation and deflation, of speculation and panic. But the extent to which these efforts have proved unsuccessful is attested by the present condition of the country.

"In a word, the Federal Reserve System has notably failed to accomplish the purpose for which it was created. Our bankers, who are in charge of the system, expand

credit in speculative times when it should be contracted, and contract it in bad times when it should be expanded and made available. For this reason it is clear that a privately owned system of control can never attain the economic security which the country urgently needs.

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"It must be remembered that a so-called gold standard does not protect this country from destructive inflation. Under the laws of the United States, credit or bank money may be expanded to twenty-eight times the amount of gold in bank reserves. Since there are now about eight billions of gold owned by the United States, our money, if it remains uncontrolled by a central monetary authority, could legally be expanded to 228 billions. This would threaten national economic collapse.

The League's Demands

"The Sound Money League demands the creation of a Government-owned Central Bank which shall be instructed by legislative mandate, first, to restore our monetary system by expanding the demand deposits of private banks to a normal level; and second, to thereafter maintain and stabilize the purchasing power of the dollar in such ratio to the productivity of the nation as will insure a steadily rising standard of living. Such a policy efficiently carried out would reduce debt, increase employment, restore wages, salaries, individual and corporate earnings and incomes, and would cause property values to rise, thereby creating higher tax revenues to our national, State and municipal governments.

"The Sound Money League proposes to organize State committees in forty-eight States, to inform public opinion, to request candidates for office to answer yes or no to the plan proposed herein, and to submit their replies to the voters. The Sound Money League invites every citizen of good will who approves this plan to join in an organized effort to put it immediately into effect. We ask you to join this league and support it actively. As elections are approaching and time is therefore limited, we request your prompt and earnest co-operation."