



The Power of Money

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I

Since the year 1929 America has been in a state of transition. Slowly but certainly with every other civilized nation we have been passing from the age of modern capitalism into a new era of communism, of Fascism, of socialism or of Hitlerism. We, in America, have one choice, namely, to follow the course of one of these or else to construct a new system founded upon social justice. Still, withal, those who prospered most and produced least under the old system are battling fiercely to maintain their privileges and their functions of legislation.

Certainly, during this coming year and the years immediately following, we will witness the total dissolution of modern capitalism. It is advisedly that I use the adjective "*modern*," because capitalism, as we knew it in the past twenty or thirty years, differed almost substantially from the capitalism which was originally conceived. Today it is more renowned for its vices than for its virtues.

Those who are fighting so relentlessly to preserve its poverty-breeding corpse refuse to face the pressing problem of squaring production with distribution. They are those who, during the coming years, will continue to oppose the restoration to Congress of its right to coin and regulate the value of money. They still believe that all wealth should be identified with gold: That is the basic thought behind the gold standard. They still believe that the debts of the farmer, of the merchant, of the municipality, of the state which were incurred through the operation of an insane credit inflation, of manufactured bookkeeping money, should be paid back to them in honest currency which does not exist.

They still labor under the delusion that the factory worker is so ignorant that he is willing to starve or, at least, recede to a lower standard of living, despite the plenitude of capital wealth which surrounds him – factories, fields, mines, forests – all of which are idle, because the banker controls the coinage of money and issues it on the same basis as he did before we underwent an unreal, psychological revaluation of our gold.

They still believe that the American people will become accustomed to bread lines, to forced idleness and to cut wages.

Most important, they will fight fairly and unfairly, scrupulously and unscrupulously, to retain their racket of lending manufactured money to the government for which money the government and we, the taxpayers, print billions of dollars of gold paper bonds which eventually must be redeemed with good currency.

But to this thought of credit – of bonds, of debt – I shall return.

That we will refuse to suffer this financial domination any longer is certain. This form of capitalism, now a corpse, demands at least, an honorable burial.

It is needless to ask what system of political economy shall replace capitalism. We in America are too religious minded, too devoted to our mothers, our wives and our children to accept the philosophy of the communist. There is a God. There is a heaven. There is a conscience and there is the immutable code of the Ten Commandments. Likewise there is a Christ. There is His Divine Brotherhood. There is His gospel of love in the hearts of His children. These things are too precious to barter for any man-made heaven with its black bread and equality in slavery.

Realizing the distinction, on the one hand, between international socialism, which levels all men down to a standard instead of up to a standard, and, on the other, American socialism, which is an unfortunately named political platform, I cannot envision the American people adopting the philosophy of the former or the proposals of the latter.

International socialism is anti-religious and anti-moral. It not only restrains liberty. It abolishes it. It, too, like communism, cares only for the goods of this world.

But American socialism, as professed by the intelligent Norman Thomas or an honest Debs, while preferable to the capitalism which we have known, goes too far, to my mind, in its program for the nationalization of industry. [*Note: Norman Thomas and Eugene Debs were both leading members of the Socialist Party of America – Bogumil*]

Nor does the concept of the Fascist or Nazi dictator appeal to the American liberty loving citizen with his traditional love for democracy and republican institutions which bar both Nazi-ism and Fascism.

Before proceeding further in this discussion I am willing to commit myself to the statement that modern capitalism must go as well as modern democracy. But I hasten to add that while capitalism defended vigorously the right to private property, the main criticism against it was that the operators of capitalism had so concentrated the ownership and control of private property that there was little of it left for the masses of the people. In other words, there was too little private property.

As for modern democracy it degenerated into a system whereby, at least in this country, two political parties, under the leadership of the bankers and the banker-controlled industrialists, so manipulated conventions and elections and so controlled, either directly or indirectly, the majesty of the state that there was too little democracy and too much plutocracy.

Against all these systems – unspeakable communism, philosophic socialism, dictatorial Fascism, decadent capitalism, controlled democracy and modern plutocracy – there stands an economic system known as social justice. Seeking no compromise, enticing no man by vain promises, it writes down a platform for today, with principles of truth, of justice, of humanity as the Jews of old had them in their codes, as Christ taught them on the Mount. Justice to the laborer, justice to the farmer, justice to the property owner, justice to all!

It is a system designed to extend and widen liberty rather than to maim and curtail it.

It aims to free man from the subjugation of unnecessary poverty and from the exploitation of his fellow citizens who are lacking in conscience.

It is a system that is wedded to the belief that man's earthly happiness is identified with the home which he owns, where, in peace and tranquility, he and his beloved ones can know and love and serve their God.

It regards man and his family, not as a chattel of the state, but regards the state as the servant of its citizens.

Finally, the philosophy of social justice teaches us that the earth is the Lord's, to be apportioned for our maintenance, according to our merits, in such a manner that he who gains ownership of any property cannot use that property contrary to the common good.

This program of social justice does not militate against the Constitution of the United States in any degree. It does, however, oppose the misinterpretation given to that Constitution by the international bankers who have written laws for their own selfish purposes.

II

Today I shall speak of one of the fundamentals of social justice, the nationalization of our money.

The mention of the word money suggests something mysterious. But we, who have mastered the hidden secrets of steam and electricity; we, who have steered our submarines beneath the waves and sent our argosies of freight above the clouds; we, to whom nature has unfolded the secrets of physics and of chemistry and of the applied sciences and arts, certainly are intelligent enough to master the simple problem of distribution. In other words, we are clever enough to evolve a system of finance which will abolish the most tragic phrase that was ever coined by the lips of man – *“Want in the midst of plenty.”*

Consider the origin and purpose of money. Broadly speaking, money is simple. It will require only a little searching into the pages of history to discover its origin.

Money is a tool which man invented after the age of barter had passed – after the age of trading a pig for a sheep or a pair of moccasins for a bow and arrow. Eventually, it became necessary to figure out some method of evaluating sheep and pigs and farms and wheat when goods of an unequal value were exchanged between the farmers – when a cow was traded for a dozen of eggs. The owner of the cow had to receive something else plus the eggs. In other words it was necessary for one man to express his debt to his fellowman. He did this by means of money.

Broadly speaking, when one citizen exchanges with another citizen things of an equal value there is no debt, no need of money. But where things of unequal value are exchanged, there is need of money in order to show the difference in the bargain.

At the dawn of history, money was primitive. Iron rings, cattle, wampum, even land itself came to be used as a measure of calculating the debt one man owed his fellowman. Today, when society has grown more complex and when the machine produces the goods of the world, money is needed more than ever in order to distribute the goods from the factory to the family in the home. Money is only the medium of trade. Around it, gravitates our entire problem of distribution. Without it, industry, labor, agriculture, everything comes to a halt.

III

Pause to consider the history of the use of money in England.

(a) In the year 1100 when Henry I was King, until the year 1694 when the Bank of England was organized, England had a peculiar money system known as *“tallies.”* These *“tallies”* were simply sticks of wood about 4 feet long and 1 inch square. This stick of wood was notched with a jack-knife to express pounds, shillings and pence. The exact value was printed with ink on the sides of the stick and then it was split lengthwise. It was the government which did the splitting. Half the stick was given to the citizen in exchange for governmental service. The other half remained in the royal treasury.

(b) It was the business of the county sheriffs in England to collect for taxes these sticks which the citizens held. It was the business of the government to match the collected half-stick with the portion already in the royal treasury. When they tallied or matched then the sticks were destroyed.

In 1694, when the Bank of England was founded, \$70-million of these sticks were gathered together and in their place the new bank issued paper money of a similar amount. Yet the old wooden tallies were legal tender in England until 1783. The accumulation of the centuries was not finally destroyed until the sticks were burned in the House of Parliament in the year 1830. England was not on the gold standard. She was on the “wooden” standard and prospered!

(c) Before the establishment of the Bank of England in 1694 there were banks in Europe where people could deposit their gold or their silver for safe-keeping. Coins of all nations were brought by the sailors and the merchants to these bank vaults. It was the business of the bankers to place a proper value on these coins and then to credit the owner of the coins with his proper amount of wealth.

Of course it was dangerous to carry gold and silver on one’s person. It was better to keep it in the strong bank of deposit. When occasion demanded that one merchant transfer gold to another it was the banker’s business, at the request of the two parties concerned, to make the transfer without the gold ever leaving his bank.

Bear in mind, banks did not make loans originally. They did not create credit. They simply transferred credit.

(d) But with the founding of the Bank of England we begin to find this bank actually creating credit instead of transferring it.

I believe last year I told this audience that the Bank of England received its charter to operate and to create credit, or in other words, to coin money, when the merchants of London approached Parliament and told the members thereof that, if they wanted the merchants to help them put down a revolution, Parliament would have to concede to these merchants the right to coin money. (How similar to the action of the private bankers in the days of Alexander Hamilton and later on in Lincoln’s time!)

Thus the Bank of England began to loan what they did not possess. For every dollar, as it were, of gold the bank had, it risked loaning 10 dollars of credit. At least 9 of these dollars did not exist. And more than that, for every dollar’s worth of loan money that was extended to a merchant, the Bank of England had the audacity to mark on its books that it was a dollar’s deposit. Here is the mystery surrounding money.

How can a loan become a deposit?

How can something which you have not be something that you have in your possession?

How can 2 minus 2 equal plus 4?

Never let anybody tell you that these credit notes, or bank notes, manufactured by the Bank of England, were backed 100 per cent by gold. This I have explained. The bank notes were seldom, if

ever, backed by 40 per cent of gold. The credit money was seldom, if ever, backed by more than 10 per cent of gold. Between the years 1797 and 1822 the Bank of England's paper money was nothing more than paper money and could not be redeemed by gold or silver or anything else. Those were days when there was no gold backing. Yet business and government carried on. That is a good point to remember when the bankers with their tenor voices shriek loudly for sound money.

(How different are we in this country with \$9-billion of gold and silver resting peacefully in our Treasury vaults and only \$5-billion of paper currency existing against it!)

It is also well to repeat that the Bank of England, even in its prosperous days when its vaults were loaded with gold, always considered it safe to issue two and one-half times as much paper money as she had bullion in her vaults. This historical fact is not open to contradiction. To this thought I shall return.

(d) Let us continue our thumb-nail sketch of money and its history. In the year 1780 the private bankers of London were without the privilege of issuing bank notes, or paper currency. The Bank of England still retained this monopoly. Now these private bankers hit upon a scheme by which they could compete with the Bank of England. It was this: Instead of merely accepting gold and silver for deposit from merchants and transferring this gold on the books of the banks at the will of the merchant, they gave each depositor a check book and permitted the depositor to transfer his own money by writing a check on his deposit. Here is the origin of the check book!

This check book supplied a new currency. The governors of the Bank of England protested to Parliament that this was infringing upon their monopoly. But the Parliament answering said: "*The day of monopoly has gone.*"

(e) The system of the London bankers in creating this check book money, together with the system of the Bank of England in issuing bank notes, such as your five and ten dollar bills, and also loans, were adopted in America when, in the year 1800, the United States chartered a great number of banks which were both banks of deposit like the private banks in England and banks of discount like the Bank of England itself. I need not repeat that the Bank of England was a privately owned corporation with its charter almost forced from the government at the point of a gun.

Thus there grew up in this country a new idea of a bank. It was a place to deposit your coin or your bullion or your currency which you could check out and transfer by using a check book. It was also a place for borrowing money and having your loan marked down on the banker's books as a deposit.

IV

The above historical sketch is rather dry and uninteresting but it is necessary for the people of this country to know.

Let us now transfer our attention from the past to the present to see if the bankers are true even to their own traditions.

When you read the statement issued by Mr. J.F.T. O'Connor, the Comptroller of our Currency, you will find that there are no more than \$5½-billion of real currency money in this whole nation.

(a) Then read the printed and publicized confession printed by the bankers. The bankers tell us that in 1929 we had \$58-billion on deposit and about \$30-billion in 1934!

The truth of it is that the banks have no more than \$1-billion of currency on deposit. The loans which they extend to industrialists, to merchants and to other citizens make up the difference between the \$1-billion which they actually have and the \$30-billion which they pretend to have. Bankers are professionals at counting eggs before they are hatched.

If this is so what do bankers really loan if it is not currency money? The truth is they loan credit – stage money, fiction money. They give the citizen who applies for a loan a right to withdraw when that citizen hands them a promissory note, or a mortgage on his house or a chattel mortgage on his farm machinery. When they receive this piece of paper from the citizen they credit the loan which they extended to him as a real deposit. The citizen does not receive a thousand dollars in his hands. He simply receives a check book with the right to check out a thousand dollars.

(b) With this thought clearly established what then is our modern money? And where is it?

As for the currency – the \$5½-billion of real currency money – approximately \$1-billion is in the banks. This the bankers keep for till money which they pass over the counter. This is divided among 20,000 odd banks in this nation.

Another billion dollars is in the cash registers and tills of the store-keepers. Certainly the bankers can't loan that billion.

As for the other \$3-billion it is in the pockets of the people. It is used in hotels, in restaurants, at railway and bus terminals and for a thousand and one petty transactions. It is also in the homes of the people who use it to pay the butcher and the baker. Much of it is in tin cans and tea-pots, in mattresses and other secret places. That briefly describes where the real currency money is.

What is money? What is the thirty odd billion dollars that the bankers claim to have on deposit? Certainly it is not currency. It is bankers' money – money manufacture by the bankers; a pure fiction, a figment of the people's imagination, an impenetrable mystery which you can't understand because it is not understandable. It is really what the depositors owe the bankers. It is the amount represented by the people's right to withdraw. If the people ever made up their minds to use their check books on a given date and at a given hour the banks would burst like a bubble!

Yet, my friends, 95 per cent of this nation's transactions are accomplished by the use of this bankers' money, or credit dollars or check book money. It is bankers' printing-press money which the American people are willing to accept!

(a) Now let us examine for a moment how this credit money operates in the functioning of business. Every banker in the world knows how the extension of a mere \$1000.00 of credit helps keep the wheels of business turning. He himself will tell you that the thousand dollars extended in credit will account for \$50,000.00 of real business volume in a single year. A borrower of a thousand dollars purchases goods at retail. The retailer in turn buys from the wholesaler. Soon the jobber is called upon to re-stock the wholesalers inventory. The jobber places an order with the manufacturer, who in turn buys labor and raw materials from the mine or the field or the forest.

In the meantime, many men are employed all down the line where this one thousand dollars has flowed like the stream of a river. Capital prospers and labor prospers as credit flows throughout the nation. Everyone realizes that if the issuance of credit were handled honestly by the private bankers, there would be prosperity.

But, oh! There is the rub! *"If"* – a mountainous word of two letters! At times our bankers extended credit until it became an inflated balloon that could do nothing else but burst. And at all times, with only their billion dollars of real currency on deposit, they loaned this extra twenty or thirty or forty billions of dollars of stage money, of fiction money, at five or six or seven per cent, making a billion dollars profit even in a poor year.

(b) There is another side to this picture. Bankers, as a class, have proven themselves greedy. They can no more escape that qualification than can a tiger escape being called vicious. Their very nature demands that they be greedy.

How is this explained? Well, when the borrower asked for a loan, he handed over the deed to his home or his farm, both of which constitutes real wealth. When the banker has issued a greedy amount of credit, he concludes that it is time to stop issuing further credit and that, moreover, it is time to call in the loans already existing. The thousand dollar loan, of which I spoke, is recalled. It takes \$50,000.00 of business out of circulation. The retailer receives no order nor does the wholesaler, the jobber nor the manufacturer. All of them dismiss labor the minute orders cease. The prices of farms and real estates drop and the banker takes them over when the borrowers cannot pay him cash. He takes them over, mind you, although he did not loan real money. The banker loans simply credit, his own monopoly of the printing press. He manufactured this credit and charged interest on it. He created it knowing that there was no bullion or coin behind it. He can make a "run" on the people but the people must not make a "run" on the banker!

(c) Now it is very well for the banker to start his printing press. But at the moment a student of banking and of monetary reform brings these facts to his attention, the banker and his kept press yells *"Stop, thief!"* Printing press money is the banker's money. It is his currency. He owns this prerogative. That is why the Baruchs, the Warburgs, the Morgans and the Mellons, the Federal Reserve bankers and every white-carnation-bedecked banker in America sees red if the bankers' racket is interfered with. That is why they scamper up the steps of the White House and into the cloakrooms of Congress, if anyone dares suggest that the sovereign people of the United States recapture the power over money which originally was placed squarely in the hands of Congress under the Constitution.

A banker is not a producer. He is a leech who lives upon the artistry, the labor and the scientific development of others. He is in business with his prerogative of manufacturing money through an act of Congress and through the grace of a printing press and fountain pen. His business is eventually to get that which he did not create.

Do you wonder, then, that depressions have been decreed by bankers?

What matters it if fifteen million men be idle, if factories close, if commerce freezes, if dire and abject poverty be the lot of the multitude in this land of plenty! Their racket must continue – a sordid, vicious racket that poisons the very life blood of the nation.

What if there is less banking business to be done in the days of depression – they care not! Because, aside from the ordinary loans which they make to ordinary citizens, they still continue to make money on the interest-bearing government bonds which they possess. At least \$20-billion of these bonds are in bankers' vaults. And many of them are bonds which were issued by the government to dress the boys of 1916 in khaki, to pump murder into their hearts, to feed them hardtack and to prepare them to become fodder on the battlefields of France. Bloody bonds which were used for destructive purposes! Criminal bonds which they expect you and me to redeem for the privilege of their having made a slaughter house of this world!

What care they for depressions as long as these bloody bonds continue to drip their malignant poison upon the prosperity of a misunderstanding people!

Six times in the last century and four times already in this century have we been subjected to panics, to man-made panics, the greatest of all occurring after the establishment of the privately owned Federal Reserve Banking system which, in the preamble of its charter, practically guaranteed this nation freedom from panics.

They made their runs on the people and captured the real wealth of the nation!

Shall we permit this system to continue, this system of private banking which creates depressions and cashes in on bloody bonds?

Shall we plot depressions now for our children and grandchildren?

Call the roll in advance as the bankers call it, and plot it and graph it – 1940 – 1950 – 1970 – 1990. Listen to the words of "*over expansion of credit*," "*over production*," "*speculation*" – words, words that carry every depression back to the cunning mind of the banker who, by his very nature, cannot help but plan to reap where he has not sown.

These facts I present, not only for the consideration of our Congressman, but also for the consideration of the industrialists and the members of the National Union for Social Justice who are demanding that credit be nationalized and that the prerogative of manufacturing stage money be taken from the bankers.

No longer must the private banker be able to extend credit when credit is over-extended. No longer can he be permitted to call loans when there is no possibility of paying them. No longer can we suffer him to seize our factories, our warehouses, our stores, our farms and our homes. No longer shall we suffer from the whip of insecurity.

If depressions have come and factories have closed, blame not God as if He had failed. It was stupid man who failed! Stupid man who permitted a handful of self-constituted guardians of our prosperity to guide our economic destinies as though we were puppets and pawns! Selfish, greedy men who have devised a simple system of keeping the volume of currency small and the volume of credit flooded so that their little unproductive group can dominate the producing masses.

Members of the Seventh-fourth Congress! I am asked by thousands to attack communism, to join in the drive against radicalism; perhaps to sneak down the alleys and ferret out the agitators who would destroy our institutions.

Members of Congress! You must recall history – radical history! Karl Marx, the founder of socialism, never did an honest day's work in his life, but lived on the generous benefactions of Engels, who, though a German, derived his fortune from the textile mills of England. Wealth, not poverty, paid Marx for his work. Martinez of Portugal was well supplied with this world's goods, yet he is considered by all historians to be one of the profoundest conspirators against the state.

Adam Weishaupt, founder of communistic philosophy, was always amply supplied with funds from the wealthy.

Cagliostro, Sicilian communist, drew huge sums of money from the bankers of Amsterdam, Rotterdam, London, Genoa and Venice.

Adrien duPont, friend of the Duke of Orleans, plotted to hold up the food supply of his countrymen and then block every reform in the National Assembly of France.

Were I plotting the downfall of my country; were I upholding communism or socialism or a dictatorship or anarchy, I would reread the history of all social revolutions and then salute the American banker as comrade and friend.

To create unemployment is the first principle of communism from Adam Weishaupt to Lenin.

To make misery, starvation and dire poverty the lot of the masses is written in large, bold type on the first page of the grammar of anarchy.

To make agriculture so unprofitable as to over-populate our cities with idle rural laborers has been a policy laid down in every catechism of discontent from the "*Illuminati*" of the twelfth century to the red agitator of the twentieth.

To let atheism rise against religion; anarchy against government and famine against the people is taught in the kindergartens of the communists.

Finally, to open wide the gulf between the little group of the very wealthy and the teeming masses of the workers – pitiless, propertyless, but never conscienceless – that is the program of destruction.

Why look in the cellars for the breeding pens of red radicalism? Go into the marble halls of the banker. There you will find practiced what Weishaupt taught – the necessity to spread unemployment – to make misery, dire poverty and starvation the lot of the masses. The bankers' program is reproduced in the grammar of anarchy.

Go into the banks of the nation – into the Federal Reserve Banks, if you will, and find the agricultural loan policy. See if it helps to make farms unproductive and, therefore, send idle rural laborers to over-populate our cities of discontent. I can show you this policy in every radical philosopher's teachings for eight centuries.

Lastly, look at our own dear America, with wealth concentrated into the hands of a little group and fifty millions facing destitution.

Men of Congress! No radical ever succeeded without being endowed by the generosity of a rich patron.

No radical in world history had the ground so well prepared as the American banker has prepared it for him.

Before you drive out the radical and radicalism, you must have courage to drive out the causes which breed radicals and radicalism!

Recover the people's power over money – currency money and credit money – recapture the power our forefathers gave you – *“to coin money and regulate the value thereof”* – whether that money be currency or credit. That is your chief work this year. Unless this is accomplished there is little hope for a just and living wage or for lifting of the cross of depression from our shoulders!

ARTICLE SOURCED FROM REV CHARLES E. COUGHLIN'S A SERIES OF LECTURES ON SOCIAL JUSTICE, (1935), THE RADIO LEAGUE OF THE LITTLE FLOWER

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