

Federal Reserve System. This was considered by the Fed's supporters as its first real test, and it passed with flying colors. American inflation during that period was only slightly less than in England, which had been more deeply committed to war and for a longer period of time. That is not surprising inasmuch as a large portion of Europe's war costs had been transferred to the American taxpayers.

After the war was over, the transfusion of American dollars continued as part of a plan to pull England out of depression. The methods chosen for that transfer were artificially low interest rates and a deliberate inflation of the American money supply. That was calculated to weaken the value of the dollar relative to the English pound and cause gold reserves to move from America to England. Both operations were directed by Benjamin Strong and executed by the Federal Reserve. It was not hyperbole when President Herbert Hoover described Strong as "a mental annex to Europe."

Before Alan Greenspan was appointed as Chairman of the Federal Reserve by President Reagan in 1987, he had served on the Board of the J.P. Morgan Company. Before that, however, he had been an outspoken champion of the gold standard and a critic of the System's subservience to the banking cartel. In 1966 he wrote:

When business in the United States underwent a mild contraction in 1927, the Federal Reserve created more paper reserves in the hope of forestalling any possible bank reserve shortage. More disastrous, however, was the Federal Reserve's attempt to assist Great Britain who had been losing gold to us.... The "Fed" succeeded: it stopped the gold loss, but it nearly destroyed the economies of the world in the process. The excess credit which the Fed pumped into the economy spilled over into the stock market—triggering a fantastic speculative boom.... As a result, the American economy collapsed.

After his appointment to the Fed, Greenspan became silent on these issues and did nothing to anger the Creature he now served.

AGENTS OF A HIGHER POWER

When reviewing this aspect of the Fed's history, questions arise about the patriotic loyalty of men like Benjamin Strong. How is it possible for a man who enjoys the best that his nation can offer—security, wealth, prestige—to conspire to plunder his fellow citizens in order to assist politicians of other governments to

1. Galbraith, p. 180.
2. Greenspan, pp. 99-100.