

## Attachment 12

## Federal Reserve Intermediation Cost to the American Financial System

### Historical Support for 100% Full Reserve Demand Deposit Banking

All of the persons listed supported a 100% reserve banking system and although many likely had different versions of the exact structure such a system might have they were all supportive of 100% reserve (time matched lending without money creation ability) banking. One version was known as "The Chicago Plan" primarily by Henry Simons was supported by hundreds of economists in the 1930's.

#### # Nobel Prize Winners

- |                    |   |
|--------------------|---|
| 1 Milton Friedman  | Nobel Prize Economics 1976, Economics Professor primarily University of Chicago.  |
| 2 James Tobin      | Nobel Prize Economics 1981, Economics Professor Yale and Harvard, (March 5, 1918 – March 11, 2002)  |
| 3 Maurice Allais   | Nobel Prize Economics 1988, Economics Professor, École Nationale Supérieure des Mines de, Paris (May 31, 1911 – October 9, 2010)  |
| 4 Merton H. Miller | Nobel Prize Economics 1990 for discovery of M&M Theorem, Economics Professor primarily University of Chicago in "Do the M&M propositions apply to Banks?" Journal of Banking & Finance 19, 1995.        |
| 5 Frederick Soddy  | Nobel Prize Chemistry 1921 (believed to be first discover of 100% reserve principle in 1926, author 1934 <i>The Role of Money</i> pp. 67-68 quote "[Fractional Reserve] Banks have never been solvent". |

#### # Bankers

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|----------------------|---|
| 1 Frank A. Vanderlip | President National City Bank (1909-1919) (now Citicorp), Assistant Secretary of Treasury (1891-1901) and member of original Jekyll Island Conference for the creation of the Federal Reserve System (1864 – June 30, 1937). |
| 2 Alexander Efron    | Originated no minimum balance checking known as Checkmaster Plan while Vice President National Safety Bank & Trust, New York, (1893 – December 24, 1950).   |
| 3 Mervyn King        | Current governor of the Bank of England, England's Central Bank in "Banking: From Bagehot to Basel, and Back Again" Speech at Buttonwood Gathering, New York City, Monday October 25, 2010.                                 |

#### # Economists

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|----------------------------------|--|
| 1 Irving Fisher                  | Economics Professor, Yale, one of the most respected economists from the first half of the 20th century advocated for 100% reserve system from 1934 for the remainder of his life (1867-1947).                                 |
| 2 Herman E. Daly                 | Economics Professor, University of Maryland, author in 2007 of "Ecological economics and sustainable development: selected essays of Herman Daly", p.114.  |
| 3 Laurence Jacob Kotlikoff       | Economics Professor, Boston University (January 30, 1951 – )   |
| 4 Jesús Huerta de Soto Ballester | Economics Professor, Rey Juan Carlos University, Madrid, Spain (December 23, 1956 – )  |
| 5 Jörg Guido Hülsmann            | Economics and Law Professor, Université d'Angers, Angers, France   |
| 6 Richard A. Werner              | International Banking Professor, University of Southampton, England  |
| 7 Joseph Huber                   | co-author with James Robertson of <i>Creating New Money: A Monetary Reform for the Information Age</i> , 2000, chair of economic and environmental sociology at Martin Luther University of Halle-Wittenberg, Germany (1948-). |
| 8 James Robertson                | co-author with Joseph Huber of <i>Creating New Money: A Monetary Reform for the Information Age</i> , 2000, British political and economic thinker/activist (born August 11, 1928).  |
| 9 Lauchlin Currie                | Assistant to Former Federal Reserve Chairman Marriner Eccles during Roosevelt administration (October 8, 1902 – December 23, 1993).  |
| 10 Murray Rothbard               | Notable Austrian School Economist (March 2, 1926 – January 7, 1995)  |
| 11 Ludwig von Mises              | Prominent Early Austrian School Economist (September 29, 1881 – October 10, 1973)  |
| 12 Henry C. Simons               | Economics and Law Professor, U. Chicago and a primary author of the "Chicago Plan" 100% banking reserves plan letter March 1933 on file in Roosevelt Library in Hyde Park, NY.   |
| 13 Garfield V. Cox               | Finance Professor and Dean of the Chicago School of Business (1945-52), signed 100% banking reserves letter March 1933 on file in Roosevelt Library in Hyde Park, NY. (May 4, 1893 – )   |
| 14 Aaron Director                | Economics and Law Professor, U. Chicago signed 100% banking reserves letter March 1933 on file in Roosevelt Library in Hyde Park, NY (1901 – September 11, 2004).  |
| 15 Albert Gailord Hart           | Economics professor at Columbia University, supported "Chicago Plan" signing March 1933 Letter on file in Roosevelt Library in Hyde Park, NY.  |
| 16 Frank H. Knight               | Economics Professor, U. Chicago (1922-52) signed 100% banking reserves letter March 1933 on file in Roosevelt Library in Hyde Park, NY (November 7, 1885 - April 15, 1972).  |
| 17 Lloyd W. Mints                | Economics professor, U. Chicago signed 100% banking reserves letter March 1933 on file in Roosevelt Library in Hyde Park, NY (1888 – ).  |
| 18 Henry Schultz                 | Economics professor, U. Chicago signed 100% banking reserves letter March 1933 on file in Roosevelt Library in Hyde Park, NY (September 4, 1893 – November 26, 1938).  |
| 19 Frank D. Graham               | Economics and International Finance Professor Princeton (1890-1949). Frank D. Graham Memorial Lecture at Princeton is named in his honor.  |
| 20 Charles R. Whittlesley        | Economics professor at Princeton and Wharton School, U. Penn (1900-79).  |
| 21 Richard A. Lester             | Labor Economics Professor and Former Chairman Princeton Department of Economics author "Gold Money, Bank Money, and Real Money" VQR Spring 1941 (March 1, 1908 – December 31, 1997).   |
| 22 Earl J. Hamilton              | Economics Professor Duke (1927-44) and U. Chicago (1947-67), also editor of the Journal of Political Economy for seven years and president of the Economic History Association 1951-52. (1899 – 1989).                         |
| 23 Willford I. King              | Economics Professor, NYU 1927-45 (1880–1962).  |
| 24 Charles O. Hardy              | Associate Economist at Fed during Marriner Eccles Roosevelt era Chairmanship, fellow at Brookings Institution and author including "Credit Policies of the Federal Reserve System in 1932.                                     |
| 25 John R. Commons               | Economics Professor and Labor Historian University of Wisconsin-Madison (October 13, 1862 – May 11, 1945).   |
| 26 James W. Angell               | Economics Professor Columbia University (1898-1986).   |
| 27 American Economic Association | Leading economics society in the world, 1937 poll by Irving Fisher indicated 1,100 members had signed approval of 100% reserve banking with 96 indicating specific reservations.   |

#### # Government Members

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|------------------------|--|
| 1 Robert L. Owen       | U.S. Senator (D-OK) 1907-25, Chairman Senate Committee on Banking and Currency (1913-1919) and Senate sponsor of the Glass-Owen Bill (H.R. 7837) which became the Federal Reserve Act signed into law 12/23/1913, (February 2, 1856 – July 19, 1947).          |
| 2 Henry Wallace        | 33rd Vice President of the United States, Secretary of Agriculture and Secretary of Commerce under Roosevelt Administration  |
| 3 Paul Howard Douglas  | U.S. Senator from Illinois 1948-66 and former Univ of Chicago economics professor supported 100% reserve banking including co-authoring <i>A Program for Monetary Reform</i> in July 1939 (March 26, 1892 – September 24, 1976).                               |
| 4 Bronson Cutting      | U.S. Senator from New Mexico (interim 1928 and 1929-35) introduced 100% reserve banking legislation in Senate June 6, 1934 (S. 3744)(June 23, 1888 – May 6, 1935).   |
| 5 Wright Patman        | U.S. Congressman (D) from 1st District Texas (1929-1976) and chair of the House Committee on Banking and Currency (1965–75) introduced legislation in House in 1934 (H.R. 9855)(August 6, 1893 – March 7, 1976).   |
| 6 Jerry Voorhis        | U.S. Congressman (D) from 12th District California 1937-1947. Voorhis supported 100% reserve banking and teamed with Wright Patman to force Fed to pay most interest earned on federal securities to the U.S. Government (April 6, 1901 – September 11, 1984). |
| 7 T. Alan Goldsborough | U.S. Congressman (D) from 1st District Maryland (1921-1939) introduced legislation to end fractional reserve banking system in 1937 (HR 31) (September 16, 1877 – June 16, 1951).  |
| 8 Ron Paul             | U.S. Congressman from 14th District Texas and two time Republican candidate for President.   |
| 9 Dennis J. Kucinich   | U.S. Congressman from 10th District Ohio.  |
| 10 Douglas Carswell    | MP in British Parliament   |

#### # Notable Historic Supporters

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|----------------------|--|
| 1 Thomas Edison      | Greatest Inventor of 20th Century (February 11, 1847 – October 18, 1931).  |
| 2 David Hume         | One of the most important figures in the history of Western philosophy in <i>Of Money</i> 1752.                            |
| 3 Robert de Fremery  | Respected financial writer and author <i>Money and Freedom</i> 1955.   |
| 4 Gertrude M. Coogan | First woman to receive MBA from Northwestern, earned in 1922 with special honors and author of <i>Money Creators</i> 1935. |

#### SOURCES:

- 1-Robert de Fremery from *Money and Freedom*, 1954 at <http://www.wcf.com/mandf/>
- 2-"Irving Fisher and the 100% Reserve Proposal", William Allan, UCLA, 1993 at <http://www.fullreservebanking.com/papers.htm>
- 3-"The 'Chicago Plan' and New Deal Banking Reform", Ronnie J. Phillips, 1992 at <http://www.levyinstitute.org/pubs/wp/76.pdf>

#### Prepared By

William Haugen  
7175 Gaston Ave Apt 2225  
Dallas, TX 75214  
214-321-7494  
[whaugen@flash.net](mailto:whaugen@flash.net)  
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