

had helped refinance one in five mortgaged urban private dwellings in America. The HOLC brought an end to mass home foreclosures.

The RFC repeated the process of setting up an agency with a credit-multiplier mechanism in the farm sector, to prevent the massive foreclosure of family farms. The RFC created the Federal Farm Mortgage Corporation (FFMC), and bought all of FFMC's stock. By 1936, the FFMC had refinanced more than 20% of all farm mortgages in the United States, preventing farm foreclosures and the shutdown of farming.

- In the Fall-Winter of 1933-34, President Roosevelt revalued America's official gold price, and devalued the dollar, a move intended to break the British oligarchy's gold cartel and its grip on the banking system, which kept the world in a deflationary vise. The RFC was the principal agency through which Roosevelt administered this policy, which included the Congress passing a Jones-sponsored piece of legislation which gave the RFC a \$50 million fund to buy up "market" gold.

- In 1934, the RFC created the Export-Import Bank of the United States as a division within the RFC. It financed export of American capital and other goods around the world.

- In 1937-38, the RFC created the Federal National Mortgage Association (Fannie Mae), which, in its original form, played a positive role, injecting money to banks to enable them to increase the volume of home mortgages.

## The RFC's Electrification of America

Roosevelt's use of the RFC to finance the electrification of rural America is exemplary of Roosevelt's deployment of the RFC as an institution of sovereign credit-creation to finance *long-term infrastructure projects* over a duration of 20 years or longer.

During the 1920s and 1930s, the power trust—the electric companies owned by the Morgan Bank, the Mellon family, the Duke family (of tobacco notoriety)—owned electric-power generation and electricity transmission in the United States. They forcefully suppressed the availability of electricity, especially to rural America, insisting that the communities in the South and Far West, did not need development, and besides, they alleged, it cost too much to build power-generating stations, and to string transmission wires to these communities. Consequently, in 1934, only 1% of the farms in Mississippi, and 3% in Tennessee had electricity. Over 49 million (or 89%) of rural Americans had no electricity; two-fifths of all Americans were without electric power.

To break through this roadblock, Roosevelt had great public infrastructure projects built that would produce abundant cheap electricity: the Tennessee Valley Authority; the Bonneville and Grand Coulee Dams in the Far West; the Hoover Dam in the Southwest; etc.

Then the electricity had to be transmitted. On May 11, 1935, Roosevelt issued an Executive Order (relative to the Emergency Relief Appropriation Act), which created the Ru-

## How the REA Deal Happened

In his book *\$50 Billion: My Thirteen Years With the RFC*, RFC chairman Jesse Jones gave a colorful account of how the financing arrangement for the Rural Electrification Administration (REA) came into being.

Jones wrote that, one day in 1935, he was meeting with Roosevelt in the President's office, when the President asked him to meet with Sen. George Norris of Nebraska, who was just then coming into the office, about the REA. According to Jones:

"When we got in the Cabinet room I asked the Senator what he had in mind. He said he wanted the farmers to have the benefit of electricity and explained his idea of groups of farmers organizing themselves and borrowing money from the government to get electric service.

"I asked the Senator how much money he thought it would take.

"He replied, 'A billion dollars.'

"'How fast can that money be spent?' I asked. 'How much a year do you think will be needed?'

"'Forty million dollars a year,' he replied; . . .

"'Well, what would you think, Senator, of our adopting your plan in principle by [the RFC] making a definite commitment for ten years? That is, we would make available \$40,000,000 a year for the first ten years.'

"'That would be all right,' the Senator replied, 'but we are not going to pay your rate of interest.'

"'Do you think 4 per cent is too much?' I asked.

"'Yes.'

"'What do you think about 3 per cent?'

"'That would be the right figure,' Senator Norris remarked.

"'Then we are in agreement,' I said. 'The RFC will lend \$40,000,000 a year for the next ten years at 3 per cent interest, secured by notes of local rural electrification organizations such as cooperatives, . . . with a 20 per cent margin to the RFC. That is, we will lend 80 per cent of the face value of the farmers' notes to the local [REA] agency.'"

Jones wrote, "That was the creation of the Rural Electrification Administration which has proven of immense value to rural sections throughout the country."