

## The Morgan Fascist Coup Plot and How FDR Defeated It

by L. Wolfe

### Introduction

Some 12 years ago, this news service published a report on the 1930s fascist coup plot against the Franklin D. Roosevelt government, led by a Morgan-centered cabal of powerful financial interests; the coup would have replaced FDR with a puppet government whose policies would be controlled by a cabal of wealthy financial plutocrats. As the report made clear, the intention of the conspirators was to use the anarchy and chaos produced by the coup, to eliminate for all time the threat to their power represented by the U.S. Presidency and U.S. Constitution.

Today, we are faced with the same intention by the heirs of that cabal of fascist bankers, who now control most of the Executive branch of the U.S. government and who have, through their agents such as Felix Rohatyn, attempted to emasculate the Democratic opposition. They now seek to impose a fascist government that Democratic leader Lyndon LaRouche has warned would be “Schacht without Hitler”—a brutal austerity government without the overt “messy” characteristics of the Hitler regime.<sup>1</sup>

In the intervening dozen years, our research has more accurately located the Morgan coup plot as part of the broader push for a fascist world order, as promoted by the Nazi-supporting, Synarchist networks of this cabal. The destruction of

the U.S. constitutional system was a critical feature of this push for fascism.

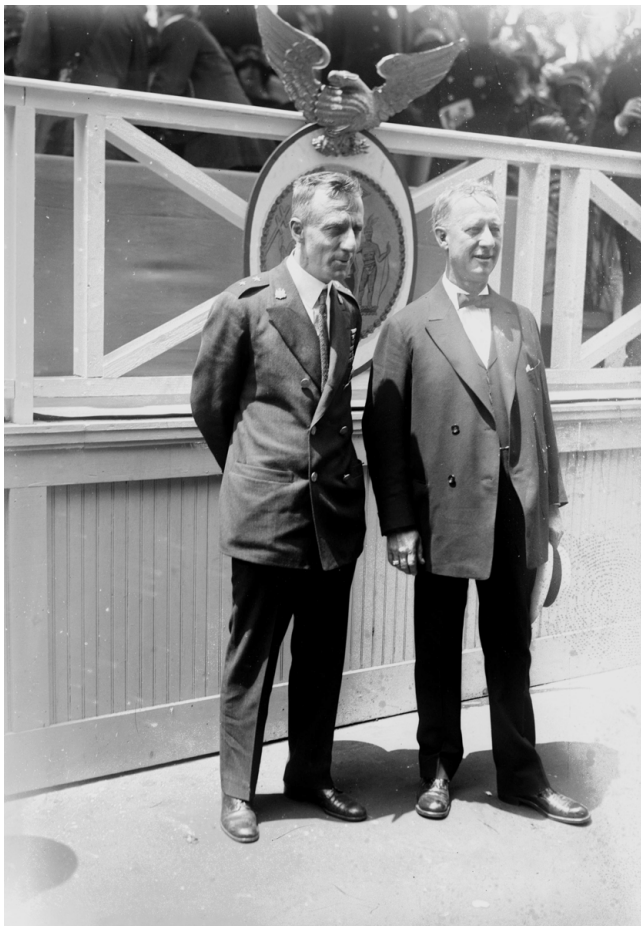
Their efforts came close to succeeding and might have, had it not been for the courage of America’s then-most decorated officer, Marine Corps Maj. Gen. Smedley Darlington Butler, and the extraordinary political leadership of FDR himself. While Butler exposed the plot, FDR and his allies waged war against the power of the private investment banks that sponsored fascism at home and abroad, seeking to curb their power, and placing the sovereign power of the U.S. government and Constitution over them. In asserting that all economic policy must serve the constitutionally mandated principle of the General Welfare, FDR put the nation on a pathway out of the chaos and pessimism that served as the breeding grounds for fascist coup plotters. While laying the economic and moral foundation for the direct military battle with the bankers’ fascist *golem* in Europe in World War II.

The story of this plot was front-page news in even such establishment papers as the *New York Times*, as it occurred. However, since the death of Roosevelt in 1945, the Synarchists were successful in all but wiping it from the pages of history and common memory. Following the publication of our report, and especially in the recent three years, as the world plunges towards economic collapse and financial chaos worse than the Great Depression, and with it, a new bankers’ drive for fascist dictatorship, there has been a renewed interest in at least some aspects of the plot. PBS, for example, produced a documentary on it, and there are at least two new books in the offing.<sup>2</sup>

2. In the last two years, two putative authors have contacted this author for information about the coup plot, with one maintaining that there is interest in a possible Hollywood movie on the subject.

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1. There has been a long line of pro-fascists who have argued that the Nazis gave fascism a bad name. This is similar to the argument used by the late pro-fascist economist Abba Lerner in his 1971 debate with Lyndon LaRouche, where he maintained that if people had only listened to and followed Nazi Economics Minister Hjalmar Schacht’s austerity policies *Hitler would not have been necessary*. It is also the genesis for 1970s promotion by the Rockefeller Trilateral Commission circles of the idea of marketing “fascism with a human face.”



Library of Congress

*Marine Corps Maj. Gen. Smedley Butler (left), with then-New York Gov. Al Smith. Butler saw through the efforts of the Morgan-steered coup plotters to overthrow FDR and install a fascist government, using him as a pawn; his testimony to Congress stopped them in their tracks.*

We present here an edited and updated version of our 1994 report as an urgent matter of interest to those who must once again rise to fight the renewed fascist threat, so that they might know their true enemies and what they are capable of; and to know that even such powerful forces can be defeated with the kind of policies and leadership that today are provided by Lyndon LaRouche and our movement.

### The Setting

As FDR prepared to take office in the late Winter of 1932-33, the U.S. government, much as today, was a captive of a cabal of private financial interests: the London-New York banking axis, whose strategists were the prime sponsors of fascism in Europe.

President Herbert Hoover's economic team was controlled by his Ambassador to Britain, former Treasury Secretary Andrew Mellon, and Federal Reserve Chairman Eugene Meyer, whose father had helped found the American branch of the Lazard Frères banking house and whose own career



Library of Congress

*John Pierpont Morgan, Jr. was the head of the powerful Anglo-Dutch Morgan interests who were at the heart of the coup plot.*

was created by Lazard. Behind them was a larger cabal of private investment banking interests, who had a stranglehold on U.S. government credit policy, including the investment banks of Kuhn, Loeb; the Morgan interests; the Rockefellers; Dillon Read; Brown Brothers Harriman; and Lazard Frères.<sup>3</sup>

Since the 1876 Specie Resumption Act, U.S. economic and credit policy had increasingly been dictated from London. Since 1913, the main vehicle for the implementation of that policy had been the Federal Reserve, a *private* central bank, established by British policy interests, and run by those interests and their U.S. allies in the Wall Street investment banks.

The Morgan bank, at times official U.S. banker for the British government, was founded and always based in London, known there as Morgan, Grenfell, with its arms in New

3. Wealthy "tories"—loyalists to the British side in the American Revolution—founded the banks in Boston and New York which crystallized in the 19th and early 20th Centuries as the British strategic outpost called Wall Street.

York being J.P. Morgan, Morgan Guaranty, and some other institutions.

Kuhn, Loeb arose as Jacob Schiff's enterprise, guided by his London partner, Sir Ernst Cassel, personal banker for King Edward VII, the British Round Table, and the Fabian Society. Kuhn, Loeb was then taken over by the London/German Warburg family, the biggest stockholders in the Nazi cartel IG Farben.

The Rockefeller family, beginning with a British partner in their early oil monopoly, extended into a cartel with Britain's Shell Oil, into Chase Manhattan Bank and Citibank, and into family foundations, all put into the service of British imperial policy.

Brown Brothers Harriman combined Brown Brothers (the family firm of Montagu Norman, known in England as Brown Shipley) in a 1931 merger with the Harrimans, who were made powerful by Sir Ernst Cassel's arrangement of British crown financial backing for Averell Harriman to acquire Union Pacific Railroad.

In this "secret government," which defined the parameters and often the details of critical policies, the House of Morgan held the most important portfolio, as the most important agent of Anglo-Venetian interests in the United States. The Morgan partners held directorships in 167 industrial concerns, banks, railroads, and utilities, and they controlled, through their banking relationships, the most important media in the United States, including the *New York Times*. And most importantly, the Morgans, along with the other merchant banks, controlled the market in the public debt of the United States, in concert with the Federal Reserve, through the latter's "open market" operations.

Agents of this cabal, acting under the orders of Bank of England Governor Montagu Norman, helped sponsor Hitler's Nazis as their proposed handmaidens to implement the policies demanded by their direct agent, Montagu Norman asset, Hjalmar Schacht. Schacht was to head the Hitler regime's financial and economic policy. Through Schacht and other assets, the Synarchists—Wall Street and London investment banks and their French and German political partners—had created huge global cartels, aimed at controlling all basic industry and raw materials, making governments and their populations subject to their power over economic life.

Throughout the 1920s, the New York and London investment banks participated with the German backers of the Nazi Party, such as Fritz Thyssen, in creating global cartels in steel, raw materials, and chemicals. The Nazis were the operatives chosen to implement the bankers' policies in Depression-wracked Germany. With plans to seize power in the United States, Britain, and France, along with the Nazis in Germany and Mussolini's Fascists in Italy, the aim of these private banking circles was world power.

In 1932, as the U.S. Presidential campaign moved towards its conclusion, Hitler's Nazis were on the edge of financial ruin. A rescue effort was organized, with the supervision of

the Bank of England's Montagu Norman, to funnel cash into the Nazi coffers. The principal Wall Street bank chosen to handle this operation was Brown Brothers Harriman, whose principles included erstwhile playboy Averell Harriman, who was later to gain an important hold on the "liberal" wing of the Democratic Party, and Prescott Bush, grandfather of the current occupant of the White House; Prescott Bush actually served as bagman, taking the funds to Germany.<sup>4</sup>

## A Hail of Bullets

From the onset of the Great Depression in 1929, Hoover's fascist economic policies "succeeded" in collapsing domestic U.S. economic activity. While this created the conditions of mass unemployment and economic dislocation which were breeding grounds for pessimism and a fascist movement, it also made hapless Hoover a very weak standard bearer for the synarchist bankers in the 1932 election. By the late Fall of that year, while they were rescuing Hitler, it was obvious that, despite the best efforts to sabotage FDR's campaign from the inside by the Democratic Party leadership controlled by Morgan lawyer John W. Davis and the Synarchist John Raskob, an agent of the Morgan-controlled du Pont interests, Roosevelt was on his way to a landslide victory.<sup>5</sup>

However, there was still the period of three months between the election in November 1932 and FDR's March 4, 1933 inauguration, for the bankers' to try to deal with their "problem."

On Feb. 15, 1933, when FDR returned to Miami from a yachting trip with friends, he addressed a crowd of 10,000 at an outdoor waterfront rally. Suddenly, several shots were fired from close range from the crowd at the Presidential party. Five people were hit, although Roosevelt, miraculously, was not.

The man charged with firing the shots, Giuseppe Zingara, a member of a Masonic lodge from New Jersey, was at first branded an "anarchist"; an FBI investigation concluded that he had acted alone. When Chicago Mayor Anton Cermak, who was wounded in the gunfire, died three weeks after the attack, it fed press speculation that he, not Roosevelt, had been the target. The press soon began reporting that various mob sources, including Frank Nitti, boss of the Chicago mob, claimed that Cermak was on a hit list. Today, most U.S. his-

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4. It was a matter of public scandal that the Harriman family in the 1920s and 1930s openly funded and supported conferences featuring leading Nazi eugenicists, and more generally promoted eugenics, including forced sterilization "experiments" in this country. See the research of Robert Zubrin on the Harriman eugenics connection in Anton Chaitkin, *Treason in America* (New York: Franklin House, New York 1984).

5. L. Wolfe, "The Battle for the Soul of the Democratic Party: How the Roosevelt Revolution Reshaped the Democratic Party," *American Almanac*, *New Federalist*, July 26, 2004, Vol. 27 for information on Raskob and Davis efforts to lose the 1932 election for FDR, including their failure to mobilize various party machines. Roosevelt overcame this through building his own "grassroots" movement that essentially took over the party.



FDR Library

*President Roosevelt, born a patrician, upheld the lot of the “forgotten man.” One coup plotter maintained that FDR was “weak”: “He will come right along with us. He was born in this class. He was raised in this class and he will come back.” Nothing could have been further from the truth.*

tory textbooks do not even mention the assassination attempt, nor do most Americans know that it happened.

However, news accounts published in 1933, speak of the assassin’s arm being deflected by a woman in the crowd. Her report was that the gun was aimed directly at Roosevelt, who was speaking from an open car. Had she not acted, Roosevelt would have been hit and likely killed.

It was reported at first, that Zingara was a “brick mason”; still later, it was revealed that he was a Freemason. The Scottish Rite of Freemasonry felt compelled to issue a pledge of loyalty to the new President and a condemnation of the assassination. Meanwhile, after Cermak’s unexpected death in March, Zingara was swiftly sent to the electric chair and the story faded from the press.

It is still not clear how this assassination attempt was set up. One thing is clear, however: the Synarchist fascists who opposed FDR would have been its potential principal beneficiaries. Had FDR been assassinated prior to inauguration, a constitutional crisis would have been created, providing cover for the bankers and their allies to move to their fascist option—a government imposed from outside the Constitution. Had the assassination been successful, the history of the last century would have been dramatically different.

## **FDR’s War with the ‘Money Changers’**

The Roosevelt who came into office that March was a much wiser man than the one who had run for Vice President in 1920 and been beaten badly. As FDR struggled to overcome polio in 1921-28, he also matured as a political figure, anchoring his identity in a strong commitment to the General Welfare; he saw the Federal government, under the sway of Wall Street-London dictated policies of first the Coolidge, and then the Hoover Administrations, bringing suffering to the vast majority of Americans, who now had no voice speaking for

them or acting in their interests in Washington.

As Governor of New York (1928-32), FDR could see firsthand the power of the financial elites, as they tried to appeal to him, as one of their own, coming from the “patrician class,” to implement policies beneficial to their interests, including massive tax breaks for the banks. FDR came to understand that almost all current economic theory was mere cover for the power of these financial interests, and was therefore useless in the face of the Depression that the Coolidge-Hoover policies had brought on. Instead, FDR turned to the traditional, anti-monetarist policies of the American System of Alexander Hamilton, an ally of his great-grandfather Isaac<sup>6</sup>, as the basis for “experimentation” in finding a pathway out of the Depression.<sup>7</sup> This was the tradition of economic policy, which, through the actions of Lincoln and others, built American industry into a world power.

The bankers saw in Roosevelt their greatest nightmare: a powerful political figure not under their control, with a vast base of popular support, who was non-ideological, and committed to the view that the sovereign constitutional government of the United States had both the power and moral obligation to take measures to correct imbalances in the economy, and, who was not afraid to act on this. With the knowledge that nothing could be accomplished unless the power of the financial elite were tamed, FDR set about immediately to free the Federal government from its clutches, and then to use the power of that government to level the playing field, with a permanent reduction in the financial elites’ power, by placing them under Federal regulation.

He set the tone for that battle in his stirring March 4 Inaugural address, declaring that he was holding the financial power that had created the Depression accountable for what they had done; the Depression was no natural occurrence, but the was a product of the failure of those who ruled economic policy.

Those responsible for “the exchange of mankind’s goods have failed through their own stubbornness and their own incompetence, have admitted their own failure, and have abdicated,” FDR said. “Practices of the unscrupulous money changers stand indicted in the court of public opinion, rejected by the hearts and minds of men. . . .

“The money changers have fled from their high seats in the temple of our civilization. We may now restore that temple to the ancient truths. The measure of the restoration lies in the extent to which we apply social values more noble than mere monetary profit.

“Happiness lies not in the mere possession of money; it lies in the joy of achievement, in the thrill of creative effort.

6. Roosevelt had more than a keen interest on Hamilton and his policies, dating back to his senior thesis on the subject at Harvard.

7. As Governor of New York, FDR and his trusted aide Harry Hopkins helped craft a relief and public/conservation works program that was the model for larger programs during the New Deal.

The joy and moral stimulation of work no longer must be forgotten in the mad chase for evanescent profits. These dark days will be worth all they cost us if they teach us that our true destiny is not to be ministered unto but to minister to ourselves and to our fellow man.

“Recognition of the falsity of material wealth as the standard of success goes hand in hand with the abandonment of the false belief that public office and high political position are to be valued only by the standards of pride of place and personal profit; and there must be an end to a conduct in banking and in business which too often has given to a sacred trust the likeness of callous and selfish wrongdoing. . . .”<sup>8</sup>

As FDR was speaking, the coup plot was already in motion. It was not FDR’s words that sped the process along, as we shall see, but his propensity to back such statements with strong and direct actions, as with his large-scale infrastructure building and employment and emergency relief programs. These actions represent a true revolution in policy, the reversal of years of treason against the American System. They included the following:

- The freeing of U.S. credit from manipulation by foreign central and private banking interests, by removing the U.S. dollar from a gold standard—i.e., the ability to demand payment for dollars in gold; in addition, FDR acted to ban gold sales to individuals and to allow for transfer of gold funds from banks. He did this in a series of steps in 1933, as the U.S. currency came under attack from foreign and domestic banking sources. If this had not been done, the dollar would have collapsed, and, more importantly, the government would have been restricted in the issuance of dollar-denominated debt to the amount of gold on hand for which such fungible debt could have been exchanged. The freeing of the dollar from the gold standard enabled FDR to finance his jobs and infrastructure programs;

- The regulation of the banking system, through such measures as the Glass Steagall Act, which separated commercial banking from private or investment banking, and required transparency in banking activity. By doing this, he asserted the power of the Federal government over all financial transactions;

- The regulation by the new Securities and Exchange Commission (SEC) of all trading in stocks and bonds, preventing insider trading operations which were the highly profitable and corrupt ways that the financial elite were shown to enlarge their fortunes;

- The regulation of speculation in commodities through the Commodities Trading Commission (CTC);

- Increased bank supervision by the Treasury Department and others, of all bank operations; the protection of the smaller bank depositors against the loss of their deposits, while limiting the protection of the financial elite, whose poli-

8. Quotes from FDR speeches are taken from John Gabriel Hunt, ed., *The Essential Franklin Delano Roosevelt* (New York: Gramercy Books, 1995).

cies brought on banking collapses.

Each of these actions struck blows against the power of the financial oligarchy; together, they amounted to a virtual declaration of war against the financial powers who for too long had held sway over the economic and financial policy of the United States.<sup>9</sup>

Two critical aspects of this offensive against the money changers deserve highlighting.

The Fed, created by the financial elite as a mechanism to control the credit of the U.S. government, while making huge financial profits for these same interests in the conduct of the sale of government debt, stood as a major obstacle to any effective New Deal recovery program. As run first by Eugene Meyer and then by another Wall Street flunky, Eugene Black, the Fed had demanded that Roosevelt act in a “financially prudent” way—keeping budget deficits low and limiting the issuance of debt; citing prohibitions they had put in place on long-term debt issuance, they insisted on use of expensive short-term debt financing to try to curb FDR’s spending on recovery programs. In response, FDR had considered measures that would have effectively nationalized the Fed, placing it under Treasury control, and running it as a Hamiltonian national bank. However, he rejected such a plan, indicating to his aides in 1933 that he would prefer not to fight that fight at the moment, fearing a lack of guts by the Congress in backing such action, and a possible ability of the bankers to divide the New Deal camp.<sup>10</sup> Instead, he wanted to wait for the opportunity to “seize” the Fed, in his own way.

As the New Deal gained momentum and FDR gained political strength, some time in the Spring of 1934, Roosevelt’s new Treasury Secretary and close ally, Henry Morgenthau, was summoned to the New York home of George L. Harrison, the president of the New York Federal Reserve Bank. There, as he was seated in a chair, Harrison and Owen D. Young stood over him, pointing threatening fingers; Morgenthau was delivered an ultimatum. As he later recounted, he was told: “You will do what we want you to do or we will not support your government bond markets.”<sup>11</sup>

The Treasury Secretary went back to Roosevelt, who then decided it was time to take action against the Fed. But instead of seizing it, which would have been well within his right as Chief Executive, he asked Morgenthau to recommend a Wall Street outsider whom he could appoint to the Board and make its chairman.<sup>12</sup> The man chosen, Marriner Eccles of Utah, was

9. See the earlier version of this article, most recently published in Tony Papert, ed., *The Synarchist Resurgence Behind the Madrid Train Bombing of March 11, 2004*, LaRouche in 2004; also Richard Freeman, “Then and Now: Why Roosevelt’s Explosive 1933-1945 Recovery Program Worked,” *EIR*, April 26, 2002.

10. *Ibid.*

11. See Marriner S. Eccles, *Beckoning Frontiers* (New York: Alfred Knopf, 1951).

12. *Ibid.*

a self-made regional banker, a former industrialist, who like FDR, was committed to the principle that economic and financial policy must serve the General Welfare, and not the profits of the private bankers and corporate shareholders. It was this alliance between a President capable of mobilizing the population for General Welfare policies, and his outspoken chief banker, committed to the same general goals, that allowed the Fed to function, even against the will of some its Board members and Reserve Bank presidents. This permitted the financing of FDR's recovery program and later his war mobilization. It was Eccles who, working on FDR's behalf, actually drafted and redrafted the critical landmark bank regulation acts, including what became the Glass Steagall banking regulation bill.<sup>13</sup>

### 'Pitiless Publicity'

FDR had earlier opened another flank in his assault on the power of the financial oligarchy: the use of what he liked to refer to as "pitiless publicity," telling the truth about the secretive, destructive ways and corruption of the monetarist financial powers and their hired hands.

In particular, FDR went after the vast power combinations that had effectively cartelized American finance and industry, giving the international Synarchy vast control, through interlocking directorates and private, unregulated financial operations, over every aspect of American (and international) economic life; this was a necessary prerequisite for taking away such power through the action of sovereign government, asserting its authority to regulate finance in the interest of the General Welfare.

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13. Eccles, a Mormon, was involved with mining and lumber production, before he got into banking. In his autobiography, Eccles writes that the Depression taught him two things: that everything he had ever thought about economics was wrong, that there was an absolute necessity for man, acting through his constitutional government, to intervene to reverse actions of malfeasance and negligence, to revive the economy. The arguments against government intervention to put people to work at socially and economically necessary tasks and to provide relief from suffering were "nothing more than the determination of this or that interest, specially favored by the status quo, to resist any new rules that might be to their disadvantage. . . . I saw [that] men with great economic power had an undue influence in making the rules of the economic game, in shaping the action of government that enforced those rules, and in conditioning the attitude of people towards those rules. . . ."

Eccles says that the wealth of the nation is really defined in physical and not monetary terms, and in placing a premium on the value of physical and creative labor that produces wealth. While stating that he is not a Keynesian or any kind of believer in economic "theories," he expounds a philosophy of banking that demands the determination of the value of an asset, not in monetary terms, but in its long-term worth to the economy; it were better to lend for things of long-term real worth, that have the potential to add real wealth over time than to seek to maximize short-term monetary profit. Eccles became a fully committed advocate of using government funds and credit to create employment in productive work, for the long-term benefit of the nation. In that way, while not a Hamiltonian, he was determined to use the Fed, as its chairman, for this purpose of national banking. Not surprisingly, once FDR was gone, Truman wasted little time in removing Eccles from the Board chairmanship, at the behest of powerful New York banking interests.

Even before he took office, Roosevelt had seen to it that allies in the Senate, working through its Banking Committee, had launched a highly publicized investigation of the practices and power of the New York commercial banks. In February 1933, the committee's exposure of their questionable banking practices had forced the resignation of two FDR enemies—National City Bank's Charles Mitchell and the president of the bank's holding company, Hugh Baker, both leading Morgan allies. Mitchell's successor, James Perkins, immediately moved to separate the commercial deposit bank operations from its investment banking, to emphasize the banks' return to "commercial banking."<sup>14</sup>

The Rockefellers' Chase National Bank was next on the Senate probers' list. Its new head, Rockefeller brother-in-law Winthrop Aldrich, announced on the day following Perkins' action, that Chase too was going to divorce its securities affiliate.

The bankers lobbied for the hearings to be called off. But President-elect Roosevelt demanded that they continue. He asked his political troops to turn their fire directly onto Morgan and his allies at Kuhn, Loeb and Dillon Read.

In late 1932, Roosevelt approved the committee's hiring as its special counsel Ferdinand Pecora, a former district attorney from New York with a reputation for fearlessness. Pecora planned to place the most powerful people on Wall Street in "the dock," and try them in a way that would have been impossible in court, given their ability to "purchase" justice.

In the opening hearings on the commercial banks, Pecora established that some of the most powerful bank officers, such as Mitchell of National City, and Albert Wiggin of Chase, had lied to their shareholders, manipulated stocks for their own benefit, and had made profits beyond anything reasonable, without the least bit of concern for the national interest. Pecora refused to allow them to be evasive, and his questioning often made them look ridiculous. Public sentiment, aroused by Roosevelt's speech on "the money changers," was then further aroused with concrete evidence.

In early March, Pecora fired off a series of detailed and embarrassing questions about the operations of the House of Morgan and its relationship to other banks, corporations, and clients. Morgan counsel, former Democratic Party 1924 Presidential candidate, and former ambassador to Great Britain, John W. Davis, declared the questions to be outrageous. But Morgan was forced ultimately to answer them, and then to submit to hearings in May and June that shook the foundations of the "secret government."

Pecora and his staff spent most of February, March, and April 1933 in New York, working from early morning until 6 p.m. in the offices of J.P. Morgan and Company, poring over its records of financial dealings since the war. He told

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14. The reports on the Senate Testimony come from a number of sources, including the transcripts of the McCormack-Dickstein hearings; also, Ferdinand Pecora, *Wall Street Under Oath* (New York, 1939).

no one, with the possible exception of the White House, what he was looking for and what tack he would take, fearing that that information would be leaked to Morgan.

The hearings opened on May 24, to packed chambers. J.P. Morgan, Jr., was the first witness. In his opening statement, printed in the next day's *New York Times*, Morgan heaped praise on himself and on the "honorable tradition" of private banking in the United States, which he said performed an essential function. Morgan had once stated that he would never invest in "unfinished industry," since he sought to maximize his clients' monetary profit. That edict, which was shared by most private bankers, meant that there would be no real economic development and there was limit placed on entrepreneurship—totally contrary to the American System principles to which FDR subscribed.

As was to become clear in the Senate testimony of the days following, what Morgan meant by "private banking" was the unregulated financial manipulations by an oligarchical club, in which the rich and powerful were allowed to reap enormous profits, and through which the House of Morgan was able not just to buy and sell securities, but to gain control of most of U.S. industry, to buy politicians and diplomats, and effectively to control the most powerful banks in the United States.

Pecora wrote five years later, in his book *Wall Street Under Oath*: "Undoubtedly, this small group of highly placed financiers, controlling the very springs of economic activity, holds more real power than any similar group in the United States."

The meek response of the Morgan partners to these charges was that, while it might appear that they had control of many companies and banks, they were merely performing a "service" and exercised no control other than the "power of argument and persuasion."

Thomas Lamont, the partner who effectively managed the firm, told the committee that the common belief in the great power of the House of Morgan was "a very strong popular delusion." All the firm did was offer advice, which its clients could take or leave. "We are credited with having what is known as power or influence; and we admit that we hope that our counsels are of some avail. . . ."

On the very first day, it was revealed that J.P. Morgan, arguably the most powerful banker in the nation, and all the 20 partners in his Morgan and Company and its Philadelphia operation, Drexel and Co., had paid no income taxes in 1931 and 1932, and had paid only small amounts in previous years! Morgan defended himself, claiming that he had merely taken advantage of tax laws: "If the laws are faulty, it is not my problem," he arrogantly told the committee. It was also shown that the Internal Revenue Service (IRS) had never examined Morgan's transactions—anything that was prepared by the bank was simply passed on by the examiners without even a cursory glance!

Pecora fought to have various items entered on the public

record: lists of companies in which Morgan partners held directorships, lists of banks on which they were directors, lists of banks which held their deposits, and the firm's balance sheets for the previous three years.

Most shocking were the lists of "preferred clients" and friends of the bank, who had been let in at a below-market price on a major 1929 speculative stock offering. The list revealed two tiers of Morgan "cronies." The first were true "friends of the firm" who were Morgan allies and operatives, and the second was a "fishing list," by which they sought prospective new operatives, with whom they would deepen their relations. *It showed that Morgan had effectively controlled those who made U.S. financial policy for more than three decades, as well as the leadership of both political parties, and much of the Federal bench!*

Pecora showed, and the partners confirmed, that Morgan handled one of the most confidential and critical aspects of British financial policy—the Bank of England's pound stabilization fund operations. This was handled, on this side of the Atlantic, by J.P. Morgan, Jr., personally, and his top henchman, Thomas Lamont. In London, the office of Morgan Grenfell, from which two partners were members of the House of Lords, coordinated continental European operations.

A similar fund was set up to market \$24 million in securities for Mussolini's Fascist Italy (and an additional £5 million in securities), administered by Morgan Grenfell, and a syndicate of private bankers including Hambros and N.M. Rothschild and Sons. Additional securities and currency accounts were set up with Morgan by the Fed, the Bank of England, and Schacht's Reichsbank.

It was brought up that such operations might in fact be against the interests of the United States and some of the "clients" Morgan represented in the U.S.A. Morgan categorically denied this. When Pecora pointed out that members of the Morgan firm in London were members of the House of Lords and officials of the British government, Morgan and his partners blustered that there was a "wall" between business and politics. When Pecora pursued the issue, the raving Tory fascist Morgan simply stated that there could be no conflict in policy between U.S. and British interests as such, and if there were such an "absurd" eventuality, the House of Morgan would behave as "reliable bankers"!

Throughout the country, even the Morgan-controlled press was forced to print the daily dispatches from the hearings. Given what was being said, given Morgan's attitude, it was impossible to edit them so as to place Morgan in a favorable light. The *New York Times* meekly editorialized that there was nothing sensational in what was being revealed, that it was all "old news." It even tried to praise Morgan for pointing up inadequacies in income tax law!

Wrote Pecora: "The power of J.P. Morgan was not 'a very strong popular delusion,' as Mr. Lamont would have it, but a stark fact. It was a great stream that was fed by many sources:

## NOT DOING SO WELL WITH HIS "BUTLING"



An Arizona newspaper takes note of the angry response to Butler's attack on Mussolini, January 1931. Secretary of State Simpson cabled a personal apology on President Hoover's behalf to Mussolini, while Butler was threatened with court-martial.

by its deposits, by its loans, by its promotions, by its directorships, by its pre-eminent position as investment bankers, by its control of holding companies which, in turn, controlled scores of subsidiaries, and by its silken bonds of gratitude in which it skillfully enmeshed the chosen ranks of the 'preferred lists.' It reached into every corner of the nation and penetrated into public, as well as business affairs. The problems raised by such an institution go far beyond banking regulation in the narrow sense. It might be a formidable rival to the government itself."

Senate Banking Committee hearings investigating the New York commercial banks, convened by Roosevelt allies in the Senate, continued through the second week in June 1933.

After that, Pecora turned his guns on Kuhn, Loeb and its flamboyant head, Otto Kahn, who was instructed by the cabal to put on a more congenial face than the stiff Morgan partners. The Dillon Read partners were similarly congenial, as Pecora brought out more evidence of the private bankers' manipulation of the financial markets and their highly irregular practices. The hearings were suspended until late Fall, when they resumed to examine certain specific speculative swindles; the effect FDR desired had already been achieved, as the press reflected the "common man's" anger at the corruption and arrogance of international finance.

## The Coup Plot Develops

Meanwhile, what was to be exposed as a coup plot against FDR, financed by Morgan and allied interests, was already well under way. The plot involved using an asset that had already been created for such a purpose—the networks of the American Legion.<sup>15</sup>

The Legion today is thought to be a rather docile association of veterans, with a "right-wing" slant. It was founded in 1919, with money from Morgan and other New York bankers and their allies, as a union-busting organization of thugs for hire. Its leadership, appropriately called the "Royal Family," was culled from bankers, stockbrokers, and the like.

Many disgruntled veterans resented their brothers being used as cannon fodder in World War I for policies that they neither supported, nor even understood. The disgust led to the formation of a rival organization, the Veterans of Foreign Wars (VFW), which, as the Depression deepened, lobbied for the immediate, accelerated cash payment of promised veterans' bonuses.

In the early Summer of 1933, as the plans for a fascist plot developed, its organizers hoped to draw both the Legion and

the VFW in to a form of people's militia, modelled on Mussolini's *Fascisti*, using the veterans' anger over Roosevelt's reduction and cancellation of bonus payments.

However, in 1934, the man whom these fascists wished to lead their army, Maj. Gen. Smedley Darlington Butler, the most honored and decorated soldier in the land, blew the whistle on the whole rotten affair. In spectacular revelations to the House Un-American Activities Committee in November and December, Butler reviewed his firsthand knowledge of the plot, identifying the House of Morgan and its operatives as playing a central role.

Smedley Butler appeared to be an unlikely candidate for the fascist coup plotters. Twice decorated with the Congressional Medal of Honor, he was a Quaker from a prominent Pennsylvania family, who thought of himself as a patriot who would never betray the values embodied in the Constitution. He had been both the most distinguished serving officer in the nation, and also its most outspoken.

Butler had once been placed in charge of the deployments of Marines on behalf of American business and banking interests in foreign lands. For a long time, he held his tongue,

15. Reports on the details of the coup plot and testimony come from a number of sources, including committee transcripts and its final report; Jules Archer, *The Plot To Seize the White House* (New York: Hawthorne Books, 1973); John L. Spivak, "Wall Street's Fascist Conspiracy, Parts 1 & 2," *New Masses*, Jan. 29 and Feb. 5, 1935. Butler's speeches are quoted in these articles and contemporary press accounts.



loyally carrying out orders, which he had personally questioned. But, following a stint in China in the late 1920s, during which he perceived that his orders were to protect Standard Oil's interests, even at the expense of American citizens, he began to speak out.

In December 1929, addressing veterans in Pittsburgh, he stated that, in his deployment in 1912 in Nicaragua, he had helped rig elections to back the candidate desired by the banking firm of Brown Brothers. He was immediately called on the carpet by Navy Secretary Francis Adams, whose name was later to appear on the Morgan "preferred list." But the local press, and then some national press, covered Butler's remarks, and they were later favorably reported by various members of Congress. Two days after his attack, the Hoover Administration was forced to beat a hasty retreat from its public support of "gunboat diplomacy," and repudiated the Teddy Roosevelt corollary to the Monroe Doctrine, stating that it would not intervene "by right" into the internal affairs of an Ibero-American nation.

Butler, however, was passed over for commandant of the Marine Corps, an appointment which, considering his rank and his service credentials, should have been his.

In January 1931, while in uniform, at what was supposed to be an off-the-record private meeting, Butler delivered a stinging attack on Mussolini, recounting a story told to him about how Mussolini had been riding in his limousine and had run over a little child. Butler's friend, who was in the car with Mussolini, screamed in horror. "Mussolini said that you shouldn't do that, that it was only one life and the affairs of state could not be stopped for one life," Butler told his shocked audience. "How can you talk disarmament with a man like that?"

An Italian diplomat, present at the meeting, sent a wire to Rome, and the Italian government filed a protest with the State Department. The pro-Mussolini press castigated Butler for insulting the head of a "friendly power." The Secretary of State, Henry Simpson, cabled a personal apology, on behalf of Herbert Hoover, to *Il Duce*.

On Jan. 29, Butler, the commandant of the Quantico Marine base at the time, was placed under arrest and told that he was to be court-martialled by direct order of President Hoover, with the full approval of the Secretary of the Navy.

The plans for the court-martial provoked a tremendous outpouring of support for Butler. The anti-fascist local press leveled charges against the Hoover Administration that it was knuckling under to the "thug" Mussolini and sacrificing America's most distinguished military figure. Franklin Roosevelt, then the Governor of New York, and a friend of Butler's dating from FDR's days as Assistant Secretary of the Navy, worked to help the general and spoke out against his court-martial.

Hoover and Adams were forced to back down. By Feb. 9, the court-martial was cancelled, and Butler was given only a



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*The American Legion became a stooge of the fascist bankers, as its commander in chief proclaimed in 1923 that "the American Legion stands ready to protect our country's institutions and ideals as the Fascisti dealt with the destructionists who menaced Italy."*

mild reprimand. He refused, however, to retract his statement, saying only that he had been told in advance of the meeting that what he said would be confined to the four walls of the room.

Butler's attack on *Il Duce* had angered the Morgan interests, who had played a major role in financing Mussolini's Fascists. According to testimony in Congressional hearings, the House of Morgan had syndicated a \$100 million loan to Mussolini's government in 1925, and had made subsequent loans to that government, as well as a \$30 million loan to the government of the city of Rome. Dillon Read, which had participated in the Morgan loan, also arranged a loan of \$30 million for the city of Milan.

Through the mid-1930s, Morgan partners, including Thomas Lamont, continued to praise the Fascist experiment in Italy.

## American Fascism

It was becoming increasingly obvious to Butler and many others that the American Legion was a stooge of these fascist bankers. As early as 1923, the Legion's Commander in Chief Alvin Owsley, had openly embraced Mussolini, and endorsed Fascism as a viable policy for the United States. Having done that, he announced that the Legion was, if necessary, prepared to kick out the elected government of the United States and back anyone who would follow a policy of "Americanism."

"If ever needed," he stated, "the American Legion stands ready to protect our country's institutions and ideals as the *Fascisti* dealt with the destructionists who menaced Italy."

Asked if this meant taking over the government, he stated: "Exactly that. The American Legion is fighting every element that threatens our democratic government—soviets, anar-

chists, I.W.W., revolutionary socialists and every other red. . . . Do not forget that the *Fascisti* are to Italy what the American Legion is to the United States.”

In late March 1931, National Commander Ralph T. O’Neill presented Italian Ambassador de Martino with a copy of a resolution passed by the American Legion’s National Executive Committee, praising Mussolini as a great leader. Meanwhile, the Legion’s leadership propagandized against the “non-Aryan” pollution of the American stock, repeating the racist garbage of the eugenics movement.

Throughout the 1920s and early 1930s, the legion was used as a recruiting base for the rebirth of the Ku Klux Klan, with many of the Southern Legion branches operating as Klan cells.

The so-called communist menace used to help organize a fascist counter-reaction was a bogeyman. The Communist Party U.S.A. and its splinter groups, were effectively run by police agents, and other stooges, and were even funded by the bankers themselves, including Morgan. Many well-meaning people, upset with the effects of Anglo-American policy, wandered into these circles, only to have their actions rendered impotent by the overall control of these movements and their ideology.

In August 1931, Butler chose an address made before an American Legion convention in Connecticut to deliver perhaps the most remarkable speech ever given by a serving officer about the misuse of military power. “I have spent 33 years . . . being a high-class muscle man for Big Business, for Wall Street and the bankers. In short, I was a racketeer for capitalism,” Butler said.

“I helped purify Nicaragua for the international banking house of Brown Brothers in 1909-1912. I helped make Mexico and especially Tampico safe for American oil interests in 1916. I helped make Haiti and Cuba a decent place for the National City [Bank] boys to collect revenue in. I helped rape half a dozen Central American republics for the benefit of Wall Street. . . . In China, I helped see to it that Standard Oil went its way unmolested. . . . I had . . . a swell racket. I was rewarded with honors, medals, and promotions. I might have given Al Capone a few hints. The best he could do was operate a racket in three cities. The Marines operated on three continents. . . .”

To the dismay of the bankers who directed the Legion, Butler’s remarks were greeted with riotous applause. In Washington, Hoover refused to answer reporters’ questions about the general’s statements. The major press blacked out most of what Butler said, but the word leaked out in the regional press, and was spread through word of mouth.

Navy Secretary Adams demanded that someone silence Butler, but no one dared to say anything, especially after the Mussolini flap. Butler continued to hammer away on the theme that the American military was being deployed to collect bankers’ debts and secure looting rights in foreign countries.

When Butler finally retired, he was no longer constrained by military protocol. He now travelled the country, addressing anyone who would listen, attacking the bankers who controlled the deployment of the military.

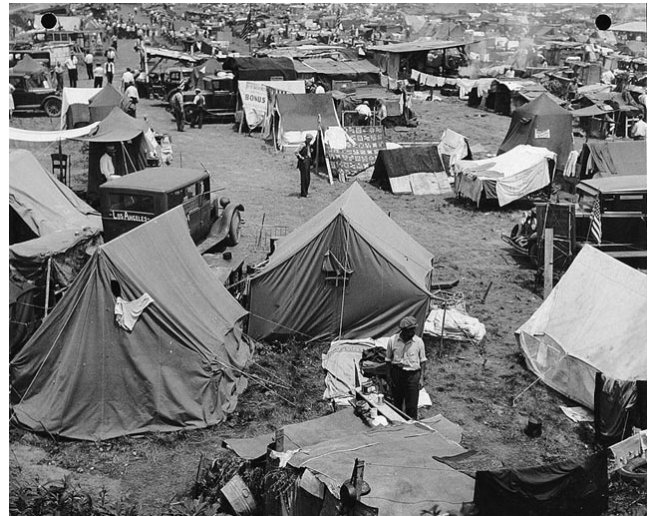
On Dec. 5, 1931, an article under his byline appeared in *Liberty Magazine*, titled “To Hell with the Admirals! Why I Retired at 50.” In it, Butler charged the leadership of the Navy with complicity in policies that now revolted him and in working to try to prevent his promotion and ultimately, to silence him. He attacked a number of Central American leaders as Wall Street stooges, naming again Brown Brothers and Morgan.

## The Bonus Army

In late July 1932, the Bonus Army of unemployed and starving veterans descended upon Washington to back passage of the Bonus Bill. Butler was asked by the head of the VFW to come to lend support to the soldiers. As the soldiers rallied in Washington, the bill passed the House but was overwhelmingly defeated in the GOP-dominated Senate. Butler was asked to address the 10,000 angry veterans who had set up a shantytown on the banks of the Anacostia River.

He urged them to fight on. “If you don’t hang together, you aren’t worth a damn,” he said. “They may be calling you tramps now, but in 1917, they didn’t call you bums. . . . When you go home, go to the polls in November, lick the hell out of those who are against you. You know who they are. . . . Now go to it.” The crowd roared.

Butler stayed with the veterans, talking to them through



Library of Congress

*The Bonus Army of unemployed veterans converged on Washington in July 1932. General Butler addressed the vast crowd, endorsing their demands, but urging them to “keep your sense of humor,” to avoid violence (Hoover ordered the storming of the camps the next day). The coup plotters later tried to capitalize on Butler’s rapport with the ex-soldiers, to recruit him to their scheme.*

the night and into the next day. As he prepared to leave, he warned them against allowing their frustrations to well over into violence: “You are all right as long as you keep your sense of humor. . . .”

The next day, Hoover ordered Gen. Douglas MacArthur to drive the veterans from Washington at bayonet point, unleashing violence against the unarmed “army.” The nation was stunned.

Butler phoned the governors of a number of states and received their agreement to provide relief for the veterans who wanted to return home. He told the leaders of the Bonus Army of this arrangement, and urged them to break camp. They agreed. Butler then delivered a sharp attack on the Hoover Administration for its heartlessness.

For his actions, Butler earned the praise of many Americans, including the Democratic nominee for President, Franklin Roosevelt.

### Butler and FDR

Butler, a lifelong Republican who claimed he had never voted for a Democrat, had greeted Roosevelt’s nomination with a wire to his former Navy assistant secretary: “We salute your nomination as one of the greatest blessings granted any nation in its hour of need.”

On July 7, speaking in New York, Butler demanded that the government be rescued from the “clutches of the greedy and dishonest.”

“Today, with all our wealth, a deadly gloom hangs over us. Today, we appear to be divided. There has developed, through the past few years, a new Tory class, a group that believes that the nation, its resources, and its manpower was provided by the Almighty for its own special use and profit. . . . On the other side is the great mass of the American people who still believe in the Declaration of Independence and in the Constitution of the United States.

“This Tory group, through its wealth, its power and its influence, has obtained a firm grip on our government, to the detriment of our people and the well-being of our nation. We will prove to the world that we meant what we said a century and half ago—that this government was instituted not only to secure for our people the rights of life, liberty, and the pursuit of happiness, but the right to eat, and to all our willing millions, the right to work.”

Butler was particularly useful to Roosevelt in countering the line from the bankers’ press that a Democratic victory would open the door to a “socialist America.” In an interview on Oct. 2, Butler branded that charge an “absurd myth.”

Less than a week before the election, at a rally in Queens, New York, Butler told cheering veterans that he was a “member of the Hoover for Ex-President League because Hoover had used gas and bayonets on unarmed human beings. . . . Nobody has any business occupying the White House who doesn’t love his own people. I was raised a Republican, but I was born an American. I have no ring through my nose and I

vote for whom I please.”<sup>16</sup>

When Roosevelt won an overwhelming victory, Butler sent him another telegram of congratulations.

Three weeks before the Inauguration, when an assassin’s bullets were fired at the President-elect, Butler wondered aloud whether those bullets weren’t being ordered by a bankers’ cabal enraged that Roosevelt would not be *their* President.

All of this would make it seem remarkable that the Morgan interests would even consider turning to Butler as the putative leader for their fascist coup against Roosevelt.

Those behind the offers to be made to Butler also believed that every person has his price, be it monetary, sexual, or other inducement. Butler seemed easy prey: After he had left the service, his financial situation bordered on the catastrophic, and he was heavily in debt. If all the appeals to the general’s ego and all the “promises” of support for his soldier causes failed, Butler, could be “bought,” they thought.

### The Synarchist Connection

On July 1, two American Legion officials visited Butler at his Newton Square, Pa. home. They were Bill Doyle, the commander of the Massachusetts American Legion, and Gerald C. MacGuire, who was a former commander of the Connecticut department of the Legion.



Gerald C. MacGuire

MacGuire was in the employ of Col. Grayson Mallet-Prevost Murphy, who ran a leading New York brokerage that traded in stocks and international bond syndications, working with the House of Morgan.

Grayson Murphy, who was on Morgan’s “preferred client list,” was a director of Morgan’s Guaranty Trust bank and several Morgan-connected corporations. He and his banking house had played an important role in syndicating Morgan loans to Fascist Italy, for which he was decorated by Mussolini.

As a member of the Mallet-Prevost clan, he was at the center of international Synarchy, and was their man on the ground for this operation. Murphy came from a long line of traitors. The Mallet-Prevost families have been central to British intelligence operations since the 18th Century. They have been involved in assassinations, in espionage and political warfare against the enemies of London, (including their control of the traitor and assassin of Alexander Hamilton, Aaron Burr, who was married to a Prevost), and their direct control of the forces that ran the mobs of the French Revolu-

16. The theme of the enemy being a clique of “economic royalists” and “Tories” was later picked up and hammered home by FDR as President, as his way of identifying the Synarchist and other financial powers that were the enemies of the nation.

tion. Through intermarriages and financial manipulations, the Mallet-Prevost interests evolved into the Schlumberger financial empire, which continues to this day to play a key role in Synarchist operations, and which played a role in the assassination of President Kennedy.<sup>17</sup>

Grayson Mallet-Prevost Murphy carried on his family's tradition of treason as a high-ranking officer in a private intelligence operation that reported to the Morgan cabal, and interfaced directly with British intelligence, and reported as well to the French-Belgium networks of continental Synarchy. As early as 1903, he had been selected by President Theodore Roosevelt for secret assignments, which included planning U.S. military interventions into the Americas to collect debt, during which time he deployed directly with Morgan interests. Later, he became the head of American Red Cross relief efforts in post-World War I Europe, a post he used to develop a network of informants and operatives in European governments, again liasing to various Synarchist networks. In the 1920s, he made several "fact-finding" trips to Europe which included trips to Italy for meetings with Mussolini, prior to his 1922 March on Rome.



G. Mallet-Prevost Murphy

In February 1919, the intelligence operative Murphy had been one of 200 elite serving U.S. military officers who met in Paris with the guidance of Morgan & Company operatives and with cooperation and guidance from French Synarchist networks to found the American Legion. Murphy personally underwrote that operation to the tune of \$125,000, and solicited additional funds from allies of Morgan in the industrial and financial community.

Murphy, it was admitted to Butler in subsequent conversations, retained his role as "kingmaker" for the Legion's "Royal Family," by virtue of the fact that the Legion still owed him and his friends a great deal of money.

MacGuire informed Butler that both he, MacGuire, and Doyle, were speaking for a group of "influential" Legionnaires who were extremely dissatisfied with the Legion's current leadership, because it had betrayed the common soldier. He announced that they were planning to dislodge the current regime at an upcoming Chicago convention. They asked Butler to join their ranks, and to deliver a rabble-rousing speech against the "Royal Family."

Butler, although sympathetic, declined their invitation, stating that he wanted to stay out of internal Legion politics.

MacGuire then revealed that he was the chairman of a

"distinguished guest committee," and was on the staff of the outgoing national commander, Gen. Louis Johnson, a former Secretary of Defense (also on Morgan's preferred-client list). MacGuire claimed that he had had Johnson include Butler's name on the invitation list, but that Johnson had taken the list to Louis Howe, Roosevelt's personal political secretary, and that Howe had crossed Butler's name off, stating that the President was opposed to any invitation of Butler. They offered no reason for this, but Doyle said that they had come up with a plan for Butler to address the convention anyway: He would be appointed a delegate from Hawaii, which would therefore give him the right to speak.

Butler, smelling a rat, declined their offer. Later, Butler said that he did not believe their story about Roosevelt being against him, and that it appeared they were trying to plant ideas in his head about the President.

## A Second Try

In August 1933, Doyle and MacGuire, under Murphy's directive, returned, with a new plan for the convention. They now agreed that it would be undignified for Butler to try to speak from the floor. The new plan called for him to gather 200-300 Legionnaires and take them by train to Chicago. They would scatter throughout the audience, and when Butler appeared in the gallery, they would stage a demonstration. Along with "allies" of MacGuire-Doyle faction, they would stampede the convention with cries demanding that Butler speak. They would guarantee that nothing would proceed until the general delivered a speech.

"A speech about what?" Butler asked. MacGuire and Murphy showed him the draft of the speech. Butler said that most of the soldiers he knew didn't even have enough to eat, and that he had hardly any money, and he asked how he would get them to Chicago. MacGuire showed him a bank deposit book with two recent deposits, one for \$42,000 and a second for \$64,000. Don't worry, Butler was told: If he could round up the soldiers, MacGuire and his friends would take care of getting them to Chicago and pay their expenses while there.

The speech Butler had been handed was a rabble-rousing defense of the gold standard, featuring a demand that the Roosevelt policy severing the U.S. from gold be reversed immediately, so that the soldiers' bonuses could be paid with "sound money." Butler was later to learn that the speech had been written by John W. Davis, the former Democratic Presidential candidate who was chief counsel to J.P. Morgan and Company, and the personal counsel to J.P. Morgan.

Unbeknownst to Butler, one of the funding conduits for this fascist plot was the Committee for a Sound Dollar and Sound Currency, Inc., a group backed by and composed of members of Morgan's "preferred-client list." MacGuire was an official of the committee, which produced a stream of propaganda calling for a return to the gold standard and denouncing Roosevelt's policies.

A short time after the second visit, MacGuire went to see

17. For a history of these treasonous families and networks, see Chaitkin, *op. cit.* For more on the Synarchist networks, see Papert, *op. cit.*, and Dr. Clifford Kiracofe, "The U.S.A.: Fascism Past and Present," *EIR*, July 7, 2006.

Butler again, this time alone. After listening to another pitch for him to round up 500 veterans, Butler told MacGuire that he would not risk his personal prestige unless he was told who might be standing behind him. MacGuire stated that he had the backing of “some of the most powerful men in America.” He claimed to have already a small war chest funded by nine men, with the largest contribution being \$9,000 and the smallest \$2,500. However, he would name only three men, showing their checks to Butler: his boss, Murphy; financier Robert S. Clark, a member of Morgan’s “preferred-client list” and an heir to the Singer Sewing Machine fortune; and John S. Mills, who married into the du Pont family. All three were members of the Committee for a Sound Dollar.

MacGuire told Butler that an expense account would be opened in Chicago with the money from the “nine men.”

In September 1933, MacGuire offered a bribe to Butler to deliver this “gold” speech, which he refused to accept. Instead, he asked to meet with one of MacGuire’s “higher-ups.” MacGuire agreed to “send over” Robert S. Clark to see him.

### ‘Roosevelt Is Weak’

One week later, Clark arrived by train in Paoli, Pa. to see Butler. Clark, as Butler described him, carried himself as a member of the “ruling class.” He asked Butler about the “gold speech,” and expressed amusement that Butler had thought that MacGuire or Doyle had written it. “That speech cost a lot of money,” he told Butler, and revealed that Davis had been its author. Butler stated that he didn’t see what difference it made to soldiers whether the nation was on the gold standard. Clark replied that the soldiers’ bonus must not be paid in “rubber money,” and that gold-backed dollars were the only answer.

Butler challenged him, stating that it looked like the speech was “a big business speech.” Clark replied, “I have \$30 million. I don’t want to lose it. I am willing to spend half the \$30 million to save the other half. If you go out and make that speech in Chicago, I am certain that they will adopt a resolution and that will be one step toward the return to gold, to have the soldiers stand up for it. We can get the soldiers in great bodies to stand up for it.”

When Butler asked why he thought that they could make Roosevelt, who was opposed to the gold standard, listen, Clark replied: “You know the President is weak. He will come right along with us. He was born in this class. He was raised in this class and he will come back. He will run true to form. In the end he will come around. But we have to be prepared to sustain him when he does.”



Robert S. Clark

Butler lost his mercurial temper. He said that he would not go to Chicago and that he refused to be part of a plan to use the soldiers to impose the gold standard and force the President “back to his class.”

Clark then tried to bribe Butler: “Why do you have to be so stubborn? Why do you want to be different from other people? We can take care of you. . . .” He offered to pay the mortgage on Butler’s house and to take care of his family.

Butler blew up. He took Clark into his trophy room, where his medals were displayed along with gifts from many poor people around the world. “I will not betray their trust,” he told Clark.

### A Fascist Solution

Within a week, the Legion convention was under way in Chicago. According to a *New York Times* report, the convention was swamped by “a flood of telegrams” supporting the gold standard, and adopted by acclamation a resolution supporting it.

On his way back from Chicago, MacGuire stopped to see Butler, this time arriving in a hired limo. He and his cohorts had been successful in getting their candidate elected as commander and had passed the gold resolution, he boasted to the general. “Yes,” said Butler, “but I see you didn’t endorse the soldiers’ bonus.”

“Well, we have to have a sound currency before it is worthwhile to endorse the bonus,” MacGuire replied.

“Their man” was Frank N. Belgrano, Jr., who happened also to be a senior vice president of the Bank of Italy/Bank of America, the bank that handled Mussolini’s business accounts in the United States and internationally. Although the bankers had controlled the Legion from its outset, this was the first time that an actual banker had served as its head.

At the end of October 1933, Butler arrived in New York City to make some campaign speeches on behalf of a fellow Marine who was running for municipal office. To his surprise, he was met at Penn Station by MacGuire. Butler was planning on a nationwide recruiting tour for the VFW, to counter the treachery of the Legion and its Royal Family. MacGuire knew of his plans, which surprised the general. He was even more surprised when MacGuire proposed that he accompany Butler, “to talk to the soldiers in the background and to see if we cannot get them to join a great big superorganization to maintain democracy.”

This was the first time that MacGuire was to mention the creation of an organization that would essentially supersede the Legion, the first indication that something more than support for the gold standard was a goal. Butler told MacGuire that he couldn’t stop him from following him around, but that he wanted no part of such organizing, which he said would “fiddle with this form of government.” MacGuire assured him that this was not their goal, that everything would be “very democratic.”

MacGuire also offered to finance the general’s tour



*Thomas Lamont, a Morgan partner, praised Mussolini's Fascism in a 1933 speech, saying that such an approach might be needed for the United States.*

through payments of \$750 for each speech in which he inserted a short reference to the need for the gold standard. Butler again refused to have words put in his mouth, at any price. MacGuire left, and disappeared for a time from the scene.

The White House was made aware of MacGuire's activities in trying to use the general to work against Roosevelt policy. On Dec. 11, a former New York City detective, an associate of the Senate Banking Committee counsel and former assistant New York District Attorney Ferdinand Pecora, Val O'Farrell, sent a confidential letter to Roosevelt's personal secretary Col. Louis Howe, detailing the offer and praising Butler for refusing it. O'Farrell indicated that it was his belief that a plot against the U.S. government was afoot.

The bankers' cabal began now to consider more drastic action to deal with their "Roosevelt problem."

The keynote for what was intended was struck by none other than Morgan partner Thomas Lamont, who chose an address before the Foreign Policy Association, to heap praise on Mussolini, stating that Fascism, as an economic and political policy, works.

"We count ourselves liberal, I suppose," he told the FPA. "Are we liberal enough to be willing for the Italian people to have the sort of government they apparently want?" asked Lamont.

Fascism, or some variant of it, he said, was not to be ruled out as policy for the United States.<sup>18</sup>

On Dec. 1, 1933, MacGuire left with his family for a seven-month trip to Europe, spending time in France, Fascist Italy, Nazi Germany, England, Scotland, Holland, and, according to one report, Russia. He was later to report to Butler that he was on a "fact-finding" mission to study the relationship of soldiers to fascist mass movements. He was looking for something that would work in the United States.

18. Taken from the Foreign Policy Association's transcript of his remarks, as reported in Archer, *op. cit.*

MacGuire, to impress Butler with the powers that were backing his efforts to establish a fascist superorganization, stated that while in Paris, he worked directly from the offices of Morgan and Harges. MacGuire may have indeed established contacts with various fascist organizations, and found the structure of the Synarchist-supported "secret conspiracy" of the French Croix du Feu (Fiery Cross) a useful model for the type of organization to be created in the United States. But those behind the bond salesman and manipulator MacGuire certainly did not need to learn how to create fascist "mass" movements, of either the left or right. They had been doing so for years.

### **The Fascist Base for the Coup**

It would be easy to dismiss the plot as improbable, if not impossible. It had, with Butler's steadfast refusal to participate, no "man on a white horse" to lead it, and would appear to have only the slightest base among disgruntled veterans. However, with mass unemployment and despair still gripping the nation in these early days of the New Deal, before FDR's job and infrastructure programs "kicked in," the coup plotters believed that the climate was ripe for mass recruitment to fascism.

MacGuire sent Butler a card from the French Riviera in February. He sent another in June 1934 from Berlin.

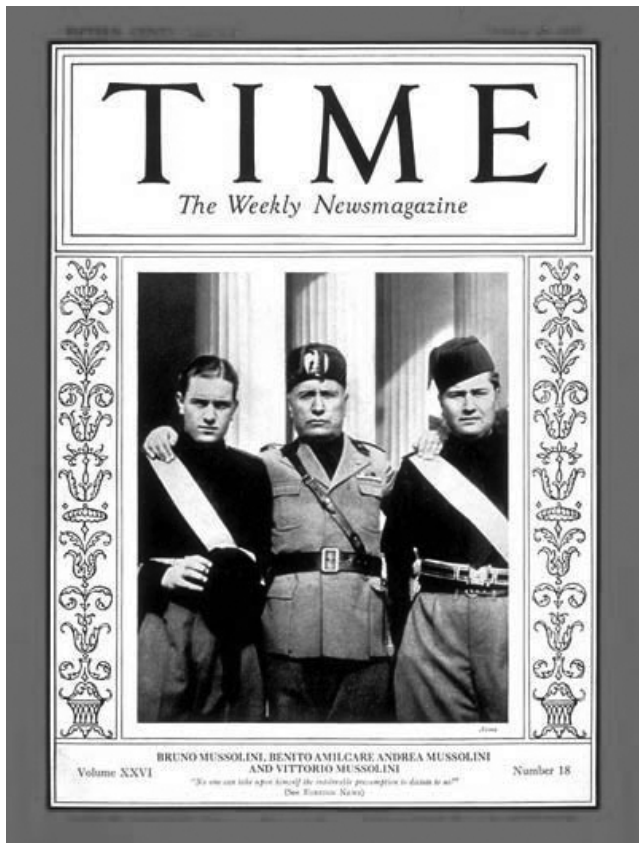
During the Spring of 1934, money was pumped into the creation of various fascist paramilitary organizations, each of which claimed to be the protection of America from the "Red Menace" and the "New Deal." Some were openly fascist, such as the Silver Shirts, the stormtroopers led by the Rev. Gerald L. K. Smith. Others, such as the Crusaders, spurned the fascist epithet, but nonetheless avowed fascist policy goals to crush organized labor and the "Reds." Still others were directly funded by bankers and financiers, such as the Sentinels of the Republic, funded by the Morgan-allied Pew and Pitcairn families.

The Scottish Rite Freemasons, in the tradition of the treasonous Albert Pike, helped John H. Kirby establish the Southern Committee To Uphold the Constitution, which, like the Klan itself, was financed with "Northern money."

In Hollywood, the actor Victor McLaglen, who was reputed to be an operative of the British Foreign Office, established the California Light Brigade, which was ready to march at a moment's notice against any threat to "Americanism." He was rewarded for his efforts with an Academy Award for best actor by pro-fascist Louis Mayer's Academy of Motion Picture Arts in 1935.

All these organizations spawned cells throughout the country. They were in no way impeded in their operations by the FBI, under the direction of Masonic operative "Gay" Edgar Hoover.

This organizing, in the Spring and early Summer of 1934, took place under an intensifying media barrage about the danger of "New Deal socialism" and the threat of a "Red" take-



*The Luce interests' Time magazine gave frequent and enthusiastic praise to Mussolini (shown here, with his sons). Said Rep. John McCormack, years later, "Time has always been about as filthy a publication as ever existed. I've said it publicly many times. The truth gets no coverage at all. . . ."*

over in the United States. Morgan mouthpiece Herbert Hoover called the New Deal "class hatred . . . preached by the White House," and its policies, "universal bankruptcy." He urged the American people to "rise up" against the menace represented by Roosevelt.

While this propaganda was directed at the Babbitts of the American middle class, there was an outright organizing campaign for fascism directed at the leaders of American industry and finance, and management-level personnel in the private sector and the government. The content of this, taken from the media of the day, is all basically the same: glorification of the economic "miracle" of Mussolini's Italy, with the pointed inference that this form of Fascism was just what the doctor ordered to restore order in the United States.

For example, the July 1934 issue of Henry Luce's *Fortune* magazine devoted its entire issue to praise of Mussolini! In an editorial by Laird Goldsborough, the British-linked foreign editor of the magazine, readers were told that "Fascism is achieving in a few years or decades such a conquest of the spirit of man as Christianity achieved only in ten centuries. . . . The good journalist must recognize in Fascism certain

ancient virtues of the race, whether or not they happen to be momentarily fashionable in his own country. Among these are Discipline, Duty, Courage, Glory, and Sacrifice."

### **The Plan for the Coup**

On Aug. 22, Butler received a phone call from MacGuire, who said there was something "of the utmost importance" that he must tell the general *that* day. Butler, exhausted from a nationwide tour for the VFW, nonetheless agreed to meet him at the Bellevue Hotel in Philadelphia. In a corner of the hotel's deserted restaurant, MacGuire laid out the plans that been hatched in Europe, and now apparently agreed upon by the coup plotters.

Now, MacGuire said, the time had come to "get the soldiers together." He explained that the purpose of his European trip was to study organizations whose methods and structure could be adapted to American needs. He had found that veterans' organizations were the "backbone" of the fascist movements in Italy and Germany; however, American soldiers would not go along with a paramilitary movement, organized for an overtly political purpose.

However, in France, he said, he had found the perfect organization: the Synarchist-linked "Croix du Feu" of de la Rocque. This organization had functioned politically, but was organized for an economic purpose. He explained that the "Fiery Cross" had a core membership of about 500,000 officers and non-commissioned officers, but that each member was responsible for organizing at least ten others, covertly, giving the organization a "fighting strength" of more than 5 million.

Butler asked what this new "superorganization" of soldiers would do. MacGuire hesitated, then answered that it would "support" the President; the general replied that Roosevelt didn't need such support and wondered when MacGuire and his clique had become "supporters" of Roosevelt.

MacGuire responded by pointing out that Roosevelt needed money to finance the New Deal and that money came from the sale of government bonds through the banking interests that were controlled by Morgan and his allies. "There is not any more money to give him," MacGuire now claimed. "Eighty percent of the money is now in government bonds, and he can't keep this racket up much longer. . . . He has either got to get more money out of us or *he has got to change the method of financing the government*, and we are going to see that he does not change that method. He will not change it."

MacGuire tried to explain that his backers were confident that they would force Roosevelt to change his policy, and the 500,000 soldiers and the millions behind them in secret organizations "would sustain him when others assault him."

Butler questioned how Roosevelt, who had staked his personal reputation on the New Deal, would explain such an abrupt about-face.

MacGuire explained that Roosevelt did not have to "explain" it.

“Did it ever occur to you that the President is overworked?” MacGuire asked. He said that the “overworked President” needed help, and that an “assistant President” was needed. This “assistant President” would take over much of Roosevelt’s job and could take the blame for the change of policy.

MacGuire said that it “wouldn’t take any constitutional change to authorize another cabinet official, somebody to take over the details of the office—to take them off the President’s shoulders.” He mentioned that the position would be sort of a “super secretary” or what he referred to as a “secretary of general affairs.” MacGuire claimed that the American people would be more than willing to swallow this: “We have got all the newspapers. We will start a campaign that the President’s health is failing. Everybody can tell by looking at him, and the dumb American people will fall for it in a second.”

MacGuire then indicated that Roosevelt was already surrounded by allies of the coup plotters. He said that the pro-fascist Gen. Hugh Johnson, whom Roosevelt had put in charge of the National Recovery Administration (NRA), and who had expressed admiration for Mussolini, was the man the Morgan group would have preferred as this general secretary. But, according to MacGuire, Roosevelt was going to fire him because he “talked too damn much.” (Roosevelt did fire Johnson, the following month.)

Butler asked MacGuire how he knew so much about what was going on inside the White House and the administration. “Oh, we are in with him all the time,” came the reply. “We know what is going to happen.”

MacGuire told Butler that, within a year from this discussion, the coup plotters wanted him to march his army of 500,000 into Washington. He stressed that there would be no revolution, that everything would be constitutional: It had all been worked out, in advance. Secretary of State Cordell Hull would resign, as would Vice President John Nance Garner; the sense given was that both these figures were “in” on the plot, or minimally, that Morgan and their allies had enough “chits” to call in that they could be counted on to do what they were instructed. According to MacGuire, Roosevelt would allow the plotters to appoint a new Secretary of State. If Roosevelt, with 500,000 men occupying Washington, was willing to “return to his class,” he would be allowed to remain on as President.

“We’d do with him what Mussolini did to the King of Italy,” MacGuire told Butler, saying that the President’s function would become ceremonial, much like the President of France.

But, if Roosevelt refused to go along, MacGuire insisted, he “would be forced to resign, whereupon under the Constitution, the Presidential succession would place the Secretary of State in the White House.” Butler was to tell a Congressional committee that MacGuire thought that all this could take place bloodlessly—a “cold coup.” All that was needed was a “show of force in Washington” and then he, Butler, would be “the

man on the white horse” who would “ride to the rescue of capitalism.” An armed show of force was the “only way to save the capitalist system,” MacGuire asserted.

Butler, trying to play along with MacGuire to discover who was behind this plot, said that what was being proposed would cost a great deal of money. He was told not to worry. MacGuire already had “\$3 million to start with, on the line, and we can get \$300 million if we need it.”

He then told Butler that powerful people stood directly behind the plan. When he was in Europe, he reported, he had held meetings at the Paris office of Morgan & Hodges, Morgan’s Paris operation. He claimed that the Morgan group had strong reservations about Butler, fearing that he might try to double-cross them. He stressed that the others involved, however, had gotten the Morgan interests to agree that Butler was the best man to “get the soldiers together,” implying that Grayson Murphy, Clark, and he, himself had backed the general.

Butler tried to probe further, asking when there would be signs of the coming together of a larger and powerful organization which would provide public backing for this plot. He was astonished when he was told that “within a few weeks” there would be an organization of some of the most powerful people in the land who would come together to “defend the Constitution.” MacGuire explained the manner in which this organization, which he would not name, would function, using a musical analogy: It was to serve the purpose of “the villagers or chorus in an opera,” establishing the setting and the scene, for the great action to take place.

Asked for more information, MacGuire would only reveal that one of the new group’s spokesmen would be the 1928 Democratic Presidential candidate Al Smith, who until that time had backed Roosevelt and the New Deal. It was explained that Smith, who edited *New Outlook* magazine, would within weeks, break with Roosevelt and launch attacks on the New Deal and the administration. It had all been arranged, he told Butler, who still refused to make a commitment to the plot.

## The League of Treason

As MacGuire and Butler met in Philadelphia, Jouett Shouse, a protégé of du Pont lawyer and Morgan operative John J. Raskob, who had headed the Democratic Party, assembled the press in his office in Washington, D.C.’s National Press Building to announce the formation of a new policy advocacy group, the American Liberty League.

A former Congressman from Kansas and Assistant Secretary of the Treasury during the Wilson Administration, Shouse had gained the reputation of a political “fixer,” much like the present-day Robert Strauss. In 1928, the bankers’ operative Raskob, a former director of General Motors, was moved into the chairmanship of the Democratic National Committee, running the disastrous election campaign of Al Smith, ensuring a Hoover victory. Not wishing to give up



control of the party to the political machines, Raskob brought in Shouse as the executive director of the National Committee. As soon as Roosevelt was in a position to do it, he moved to get rid of both of these “inside” men.

Shouse claimed that the Liberty League would be a mass-based movement, whose intention it was, as the next day’s headline on the front page of the *New York Times* declared, “To Scan New Deal, ‘Protect Rights.’ ” The *Times* printed the entirety of Shouse’s statement, which had been prepared in conjunction with Raskob. This new organization would, according to Shouse, “unite several millions of people from all walks of life who are now without organized influence in legislative matters.”

There were, said Shouse, “no covert purposes. There is no object sought beyond the simple statement in our charter. . . . The League aims to do just what is outlined in its charter, to organize those who believe in upholding property and constitutional rights into a vocal group,” Shouse told the press. “It is not intended to be antagonistic to the administration. We intend to try to help the President.” Asked how such a group could “help” the President, Shouse replied: “If a tendency towards extreme radicalism developed which the President wished to check, we might be most helpful with our organization in which we expect to enlist 2,000,000 to 3,000,000.”

Shouse announced that a group had been self-selected to serve as the League’s initiating executive committee. All of them were Morgan-allied stooges: Morgan’s lawyer, John W. Davis, the former Democratic Presidential candidate; Irénée du Pont, who ran the du Pont fortune, at that point controlled by the Morgan interests; Nathan Miller, the former GOP Governor of New York and a Morgan preferred-client list member; Rep. James Wadsworth (R-N.Y.), a supporter of the gold standard; and Al Smith, the “Happy Warrior” who had been totally corrupted by Morgan money and who had headed the corporation that built and ran the Empire State Building.

Shouse showed the press letters from financiers, business leaders, and politicians from all over the country, applauding the League’s formation.

A few weeks later, this group was expanded to include additional prominent leaders of finance and business, with a heavy emphasis on Morgan allies. On its advisory council were, among 200 others: Dr. Samuel Hardin Church, who ran the Carnegie Institute in Pittsburgh, and who was a mouthpiece for the Mellons; W.R. Perkins of National City Bank; Alfred Sloan, the man the Morgans selected to run General Motors; David Reed, a U.S. Senator from Pennsylvania, who in May 1932, said on the floor of the Senate, “I do not often envy other countries and their governments, but I say that if this country ever needed a Mussolini, it needs one now”; E.T. Weir of Weirton Steel, who was also known as a supporter of Fascism. On its executive committee was Morgan stooge and former New York Supreme Court Justice Joseph M. Proskauer, the general counsel to the Consolidated Gas Com-

pany, who later became the chief spokesman against the anti-Nazi boycott; J. Howard Pew of Sun Oil and the funder of the openly fascist Sentinels of the Republic; and Hal Roach, the Hollywood producer, who, like many of his peers, was an open admirer of Mussolini, and who was later to become a partner with Mussolini’s son in a Hollywood production company, RAM (“Roach and Mussolini”) Films, Inc.

The League’s treasurer was none other than Grayson Mallet-Prevost Murphy.

Despite all the publicity and statements from Shouse, the League never recruited large numbers of people, nor was it really intended to. It was a sham, intended to give the appearance of mass resistance to Roosevelt, and to offer a constant attack on his policies.

One week earlier, Shouse had gone to the White House to brief the President on the new organization, and ascertain the President’s advance knowledge, while seeking a statement of support for League from FDR; no such statement ever came.

Roosevelt returned to Washington on Aug. 24 and held his weekly press conference. He had avoided all comment on the League until then, but when asked, he had a ready reply. The Liberty League, he told the press, was founded “to uphold two of the Ten Commandments,” the ones nominally dealing with protecting property. It said nothing about protecting the average citizen, or of helping the unemployed and others in need. In short, said the President, it didn’t deal with anything that was covered by that most important Commandment, “Thou shalt love thy neighbor as thyself.” The League was fine as far as it went, he said, but it was stopping short of doing what was Christian and necessary. He couldn’t support it because of that problem, but whether other people want to or not, is “none of my business,” he said, laughing.

The League’s attack on Roosevelt started in late November, after the Fall Congressional elections. In the last four months of 1934, it spent about \$94,000; the next year it was to spend just under \$390,000, mostly on the publication and circulation of pamphlets, leaflets, and bulletins attacking Roosevelt’s policies. The League also received millions of dollars in free publicity for its “authoritative” views from very friendly press and radio networks. This operation, in all its forms, was the most sophisticated multi-media smear campaign in history up to that point.

## The Plot Is Exposed

After the Aug. 22 meeting, and the quick succession of events that MacGuire had matter of factly “forecast,” including the appearance of the Liberty League, Butler became convinced that a network, centered around the powerful Morgan interests, had indeed launched a “live” coup operation against the government in Washington.

Butler decided that it was his duty, regardless of the consequences that might befall him and his family, to expose the plotters, to the extent of his knowledge of that plot. He had been both controversial and in the public eye for some time;

he realized that all those involved in the plot would simply deny it, using their influence over the press to ridicule him for publicity seeking. He therefore decided to take a risk, and seek help in at least corroborating some of the key information, before he went public.

Butler turned to Tom O'Neill, the city editor of the *Philadelphia Record* with whom he had become friends during his stint fighting the underworld as the city's appointed anti-crime czar in the 1920s. O'Neill was flabbergasted by the report of the coup plot, but knowing how the Morgan interests operated in his own city, he didn't doubt that they were capable of treason. He assigned his star reporter, Paul Comley French, to investigate the story. French, who also wrote for the *New York Evening Post* and who was later to become the director of the Committee for American Relief in Europe (CARE), was set up by Butler to talk to MacGuire, posing as an intermediary to discuss the general's further participation in MacGuire's plans.

In early September, French went to see MacGuire at his offices on the premises of Grayson M.P. Murphy and Company in New York. In the meeting, French was able to substantiate every allegation about the plot that Butler had attributed to MacGuire. But the bond salesman chose to be even more frank with French than he had dared to be with the general. He made it clear that those backing the coup were interested in destroying the Presidency and in creating an American form of fascist government.

"We need a fascist government," French was to quote MacGuire as saying, in his testimony before a Congressional committee, "to save the nation from the Communists." MacGuire repeated this theme several times during his conversation with French. Taking the bait that French was operating as Butler's "agent" in negotiations, MacGuire told him that his backers would have no problems coming up with \$1 million immediately to organize Butler's "army." MacGuire said that all he needed to do to get the money was to place phone calls to Morgan attorney John W. Davis and W.R. Perkins of National City Bank, and to some other people of similar status. MacGuire also revealed that several national commanders of the American Legion, including Louis Johnson, Henry Stevens, and the present commander, the banker Frank Belgrano, were all in favor of the plot and would back it.

MacGuire, seeing that French was more interested in questions of policy than the crusty general, informed French that his backers had already devised a plan to end unemployment: "It was the plan that Hitler had used in putting all of the unemployed in labor camps or barracks—enforced labor. That would solve it overnight." He also claimed that they would force everyone in the nation to "register" and carry identification papers. "He said that would stop a lot of these communist agitators who were running around the country," French later told the Congressional committee.

MacGuire reported that those behind him were going to deliberately create a financial crisis for the administration.

They were prepared to choke off credit to the New Deal programs, force interest rates higher, and force the rates that the government would have to pay to borrow up toward then-astronomical level of 5% or more. This, MacGuire said, would produce a "new crash." He then described how the crash would unleash the "left," creating new agitation and disruptions, especially among the growing numbers of new unemployed. With the nation consumed in chaos, the time would be right for the "man on the white horse" to ride into Washington, overturn the elected government, put an end to "Presidential rule," and start a new, fascist era for the nation.

MacGuire told French that it would be no problem getting the soldiers Army weapons from the du Pont-controlled Remington Arms Company; the du Pont interests were fully in support of the plans, MacGuire stated.

French went to see MacGuire once more, on Sept. 27, again at the offices of Grayson M.P. Murphy and Co. in New York. MacGuire said that things were moving along nicely. " 'Everything is coming our way' is the way he expressed it," French told the committee.

With corroboration in hand, Butler felt it now was necessary to go public. Before he could make his decision on how to proceed, he was approached by investigators for the Special House Committee To Investigate Nazi Activities in the United States.

That committee would soon have its Congressional mandate changed to focus primarily on "Reds," evolving still later into the House Un-American Activities Committee, which became even more noxious under the leadership of Rep. Martin Dies. But at that moment, its leadership was controlled by allies of Roosevelt. The committee had, through its own sources, heard of a plot to overthrow the government that had involved General Butler. It was arranged for Butler to testify in executive session on Nov. 20, when the committee was in New York.

Butler welcomed the chance to testify, but was concerned that it was going to be behind closed doors. This would allow for managed news coverage, which could be leaked to the media from the committee staff. It would also mean that, with the plotters controlling the press, there would be no assurance that his story would ever be made known to the American people. Butler and French decided on an insurance policy: Three days before he was to testify, French broke the coup story simultaneously in *The Record* and *The Post*, under the banner headline "\$3,000,000 Bid for Fascist Army Bared"; the story featured direct statements from Butler, naming most of the names he was later to reveal in his testimony.

### **Butler Names the Names**

As the hearing opened on Nov. 20, Butler thought it necessary to make a brief statement concerning his involvement in the plot: "May I preface my remarks, by saying sir, that I have one interest in all of this and that is to try to do my best to see that democracy is maintained in this country?"

Cutting him short, committee co-chair Rep. John McCormack, Democrat of Massachusetts, who was later to become Speaker of the House, stated, "Nobody who has either read or known about General Butler would have anything but that understanding."

Butler then proceeded to tell the story, in the great detail that we have described above. He was asked for clarification on several points. The general provided what additional details he could, but never ventured into speculation, sticking to the statements made directly to him by those involved in the conspiracy.

He was followed as a witness by Paul Comley French, who, from his own direct contact with MacGuire, was able to corroborate all the pertinent details of the fascist plot, and added additional details revealed by MacGuire, including the fascist policies preferred by the coup's backers. In all, their testimony lasted approximately two hours.

Butler and French were followed in the afternoon by Gerald MacGuire, the employee of Grayson M.P. Murphy who had served as the intermediary for "the higher ups" to General Butler. MacGuire meekly claimed that he was merely a \$150-a-week bond salesman, and denied that there was any plot. He told the committee that he had merely gone to talk to the general about buying some bonds.

Committee investigators produced evidence that the bond salesman MacGuire handled funding for various operations outside "normal business," for the banker Robert S. Clark, for whom he did not work. It was revealed that he was the treasurer for the Committee for a Sound Dollar, Inc., which was widely known to be a front for Morgan and other large financial interests. Caught in his own lies, MacGuire offered no explanation of how he became involved in this activity, but claimed that it had nothing to do with any conversations with General Butler, whom he described as a "personal friend."

Several times, under direct examination, MacGuire denied having asked Butler to lead any organization of soldiers or having discussed any plans to march "troops" on Washington.

Members of the committee found MacGuire's denials unconvincing; they ordered him to return the next day for further questioning.

On Nov. 21, the *New York Times*, a paper that Heywood Broun once described as "black with the shoe polish of Morgan," took the lead in this campaign, with a front-page, two-column article under the headline: "General Butler Bares 'Fascist Plot' To Seize Government by Force." Having already put the words 'fascist plot' in quotes, the paper led with: "A plot of Wall Street interests to overthrow President Roosevelt and establish a fascist dictatorship backed by a private army of 500,000 ex-soldiers and others, was charged by Major General Smedley D. Butler, retired Marine Corps



LBJ Library

*Speaker of the House John McCormack, with President Lyndon Johnson in the background. McCormack had run the hearings on the Butler allegations in 1934. Years later, he declared, "If General Butler had not been the patriot that he was" and exposed the plot to overthrow the government, "there is no telling what might have taken place."*

officer, who appeared yesterday before the House Un-American Activities Committee, which began hearings on the charges."

The *Times* avoided providing on the front page an account of the charges as given by the committee co-chairs, and instead, citing "sources in Philadelphia," the paper claimed that Butler had named Morgan and Murphy as being behind a plan under which the former NRA administrator Hugh Johnson "was scheduled for the role of dictator."

What followed on the front page was a string of denials or ridicule of the charges from those prominent people named: "Perfect moonshine! Too utterly ridiculous to comment upon," said Morgan partner Thomas Lamont. "A fantasy! I can't imagine how anyone could produce it or any sane person believe it. It is absolutely false as far as it relates to me and my firm, and I don't believe there is a word of truth in it with regards to Mr. MacGuire," said Grayson Murphy. "It's a joke! A publicity stunt! I know nothing about it. The matter is made up out of whole cloth. I deny it completely," said Gerald MacGuire. "He had better be pretty damn careful. Nobody said a word to me about anything of this kind and if they did, I'd throw them out the window. I know nothing about it," said Hugh Johnson.

Only on the jump page, did one find some details of what Butler had charged, and statements by committee co-chair Rep. Samuel Dickstein (D-N.Y.), that Butler had substantiated much of what had been attributed to him in previous press reports. "From present indications," Dickstein is quoted as saying, "Butler has the evidence. He's not going to make these charges unless he has something to back them up. We'll have names here with bigger names than his."

The article ended with another denial by Grayson Murphy

of any involvement, terming reports of his involvement “an absolute lie.”

That same day, Nov. 21, 1934, MacGuire entered the committee room with his lawyer, and the doors were closed once again. Once again, he denied all charges that he had approached General Butler with plans for a fascist coup, or that he had asked Butler to lead an army of ex-soldiers on Washington, D.C.

MacGuire did not know that the investigators for the McCormack-Dickstein committee already had in their possession letters from MacGuire to Clark and his lawyer Albert Grant Christmas, describing the former’s search, at the latter’s request, for an appropriate fascist organization, while on his all-expenses-paid junket to Europe.

In answer to many specific questions, MacGuire feigned a loss of memory: “It’s too far back . . . I can’t recall.”

Emerging from the hearing room, Representative Dickstein told reporters, supposedly off the record after MacGuire’s testimony, that the bond salesman was “hanging himself” by contradictions in his account of events, and by forced admissions when confronted with evidence developed by investigators.

## Mangling the News

The *New York Times* of Nov. 22 pulled the story off its front page, placing it on page 5, in one column, under the headline “Inquiry Pressed in ‘Fascist Plot.’” It led with MacGuire’s denials of all charges. Committee co-chair McCormack stressed that all testimony would be withheld. Backtracking, McCormack now said that the committee was undecided as to calling any other witnesses, or whether there would be a public hearing.

The *Times* and those who dictated its policy were clearly upset by what was occurring and didn’t think it sufficient to merely mangle and manage the news. Its lead editorial was entitled, “Credulity Unlimited,” and began: “A Washington correspondent asked: ‘What can we believe?’ Apparently, anything, to judge by the number of people who lend a credulous ear to the story of General Butler’s 500,000 Fascists in buckram marching on Washington to seize the government. Details are lacking to lend verisimilitude to an otherwise bald and unconvincing narrative. . . . The whole story sounds like a gigantic hoax. General Butler himself does not appear to more than half credit it. He and some others, however, ask us to follow the famous saying of Tertullian: ‘I believe it because it is impossible.’ It does not merit serious discussion, but if the army and the navy authorities, or the Congressional committee can develop any ‘facts’ about it, let them do so quickly, so as to prevent this nation from appearing as gullible as were the Germans in the case of the Hauptmann von Kopenick,” the innocent person the Nazis blamed for the Reichstag Fire.

With the *Times* editorial setting the tone, there began a smear and ridicule campaign against Butler. New York’s

Mayor Fiorello LaGuardia, who was known as the “Little Flower,” but who more appropriately should have been called the “Little Fascist,” a lover of the Fascist program of Mussolini, coined the term “cocktail putsch” to describe the Butler story: It’s a joke of some kind, he told the wire services; “someone at a party had suggested the idea to the ex-Marine as a joke.”

It was decided that, given the extreme interest in Butler’s remarks and in the speculation taking place about them, the committee would issue a summary of what it had found during the executive sessions. In a statement announcing the committee’s intentions, McCormack said that the committee would reveal “several important inconsistencies” between MacGuire’s testimony and what he was telling the press—which the press was subsequently quoting and portraying as “fact.” The Congressman emphasized that General Butler could not and should not be accused of “publicity seeking” in going public with his exposure of the plot.

On Nov. 26, the committee released an 8,000-word statement summarizing the testimony and providing details of the plot. It showed that MacGuire swore several times his denial of the details of Butler’s testimony about the expenditure of monies for purposes described in the general’s testimony, only to have committee investigators substantiate each of the general’s claims.

However, the attention of most of the press focussed on the first paragraph of the summary statement: “This committee has had no evidence before it that would in the slightest degree warrant calling before it such men as John W. Davis, General Hugh Johnson, General James G. Harbord, Thomas W. Lamont, Admiral William S. Sims or Hanford MacNider. The committee will not take cognizance of names brought into testimony which constitutes mere hearsay. . . .”

Whatever was being done by the committee was being worked out directly with the White House, and most likely with Roosevelt himself. That was the reason for the hinting about the calling of big names, and then the apparent pullback from that posture. From the point that Butler had stepped forward and likely even before that, the White House knew that it had caught its enemies in the act of treason. From the point of its public revelation, prior to the committee hearing, by the reporter French, and then in the hearing itself, the attempted fascist coup was a dead letter: It could no longer happen as planned, under any circumstances.

The Morgan interests and their allies were named by Butler, and now their names appeared in the first paragraph of the committee’s summary. There had been 16 people named by Butler, but of those 16, the names of Morgan lawyer Davis, Morgan partner Lamont, supposed Morgan stooge Johnson (whom Roosevelt had fired as NRA administrator), and Morgan operative MacNider, were placed in the first paragraph. Meanwhile, left open was the possibility of calling Clark, his attorney Christmas, and Grayson Murphy, the treasurer of the Liberty League.

Dickstein had sent Roosevelt a copy of the report. Roosevelt sent the Congressman a reply on Nov. 30. "I am very interested in having it," wrote the President. "I take it that the committee will proceed further."

The plotters also ordered an intensification of the ridicule of General Butler. The vehicle chosen was *Time* magazine, the Luce interests' mass circulation "current events" rag. Under the headline "Plot Without Plotters," the Dec. 3 *Time* ran a parody of Butler's testimony as its lead article. After mocking details of the plot, *Time* wrote: "Such was the nightmarish page of future United States history pictured last week in Manhattan by General Butler himself to the Special House Committee investigating un-American activities. No military officer of the United States since the late tempestuous George Custer has succeeded in floundering in so much hot water as Smedley Darlington Butler."

Interviewed 27 years later by author Jules Archer, the still-feisty McCormack commented: "*Time* has always been about as filthy a publication as ever existed. I've said it publicly many times. The truth gets no coverage at all. . . ."

From around the country, VFW posts sent letters of support to President Roosevelt, commending Butler for exposing the plot. VFW Commander Van Zandt gave radio interviews supporting the statements of General Butler. Other letters went to newspapers demanding fair coverage of the general's statements. Butler himself took to the airwaves starting Jan. 4, 1935, on WCAU in Philadelphia, repeating the charges he had made before the committee and demanding that action be taken against those powerful interests, led by the Morgans, who would impose a fascist regime on America.

## Coverup

With the hearings concluded, Dickstein stated in February 1935, "The country should know the full truth about these reputed overtures to General Butler. If there are individuals or people who have these ideas and plans such as he testified to, they should be dragged out into the open."

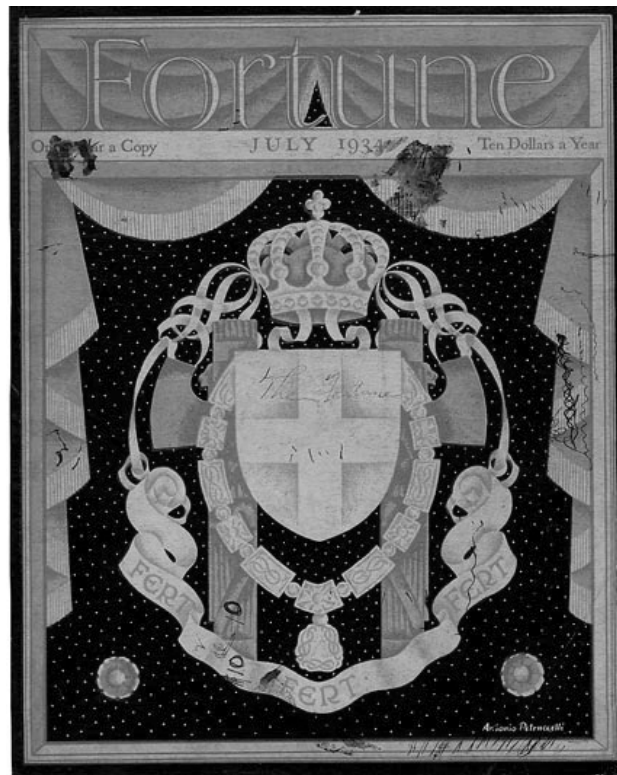
The Morgan lobbyists pulled whatever levers they had to let the investigation die. It would have taken direct intervention from the White House to force the issue, but no such intervention was forthcoming.

On Feb. 15, the committee published its findings in a report submitted to the House, on its full investigation. The section dealing with the Butler testimony began with the following paragraphs:

"In the last few weeks of the committee's official life, it received evidence that certain persons had made an attempt to establish a fascist organization in this country.

"No evidence was presented and this committee had none to show a connection between this effort and any fascist activity of any European country.

"There is no question that these attempts were discussed, were planned, and might have been placed in execution when and if the financial backers deemed expedient. . . .



Henry Luce's *Fortune* magazine devoted its July 1934 issue exclusively to praise of Mussolini. "Fascism is achieving in a few years or decades such a conquest of the spirit of man as Christianity achieved only in ten centuries," the editorial proclaimed.

"The committee received evidence from Major General Smedley D. Butler (ret.), twice decorated by the Congress of the United States. He testified before the committee on conversations with one Gerald C. MacGuire in which the latter is alleged to have suggested the formation of a fascist army under the leadership of General Butler.

"MacGuire denied these allegations under oath, but our committee was able to verify all the pertinent statements of General Butler, with the exception of the direct statement suggesting the creation of the organization. This however was corroborated in the correspondence of MacGuire . . . while MacGuire was abroad studying various forms of organizations of fascist character. . . ."

The committee had thus stated that it had *confirmed a plot to seize the government of the United States by force, organized by interests whose control by Morgan and allied circles was already widely established.* However, that was as far as it went: There would be no prosecution of the individuals and entities named by Butler and confirmed by the committee to be at least contemplating a seditious, fascist plot against the lawful government of the United States.

With the *Times* in the lead, the national media now buried the story or did not cover it all.

The story would have probably stayed buried, had it not

been for a discovery made by the journalist John L. Spivak, who wrote for the Communist-linked magazine *New Masses*. He had been tipped by a source in Washington that the committee's report had been "sanitized," that sections of General Butler's testimony had been deleted, especially the parts where he named some of the Wall Street conspirators, other than Clark, Murphy, and MacGuire, and including the references to Morgan partner Thomas Lamont and John W. Davis, the Morgan lawyer, as well as Butler's statements about the American Liberty League. Somehow, the unexpurgated transcripts, which confirmed the censorship, were handed to Spivak.

Butler took to the radio in a campaign denouncing the committee for bowing to the power of Wall Street and for censoring his remarks. Meanwhile, Spivak published an exposé of the coverup in *New Masses*, charging a wide-ranging conspiracy to bury the true origins of the plot and political deals to protect those who would commit treason.<sup>19</sup>

### **Butler Is Tamed**

As for the straight-talking General Butler, he was placed under effective control of the same traitorous crowd he sought to destroy.

Shortly after the hearings, "Gay" Edgar Hoover was dispatched to personally solicit the general's "advice" on crime fighting; he quickly became a trusted confidant of Butler. The general who had exposed the attempt to impose a fascist police state now became a gushing admirer of Hoover and his police-state tactics. Unbeknownst to Butler, Hoover kept close tabs on all the general's activities, including his associations with "leftists" such as Spivak.

Becoming increasingly discouraged by Roosevelt's policy of rearmament, which he mistook for a "racket" directed by Wall Street, Butler broke with the President. His speeches became more and more pacifist, even as the threat of the expansion of fascism in Europe became more real. Butler fought against any use of American troops overseas, and any use of troops at all, unless the United States itself were attacked.

However, Butler continued to make reference to the "Wall Street plot," as he made thousands of talks to groups of all kinds and sizes across the country. He died on June 21, 1940 probably of cancer, only hours before France was to surrender to Hitler.

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19. In 1935, the popular novelist Sinclair Lewis created a bestselling novel about the coup, entitled *It Can't Happen Here*. Lewis presents the story of a financier and big business plot that overthrows a popular President who had moved to challenge their power, deposing him with a populist hero, "a man on a white horse;" the novel dealt with the resistance to this fascist coup. Lewis created a screenplay out of his novel, only to have the pro-fascist Louis B. Mayer purchase all rights to it, under the pretext of doing a movie in 1936; the movie censorship board, headed by the Wall Street asset, Will Hays, deemed the subject too controversial, and Mayer put the screenplay into a vault where it remains today.

The next day, the *Times* printed a flattering obituary, calling him "one of the most glamorous and gallant men who ever wore the uniform of the United States Marine Corps . . . a brave man and an able leader." The paper added that he was often a "storm center" and that "It was when he ventured into public affairs that his impetuosity led him into trouble."

President Roosevelt sent personal condolences to Butler's family: "I grieve to hear of Smedley's passing. . . . My heart goes out to you and the family in this great sorrow."

In 1971, former Speaker of the House John McCormack told Jules Archer that Roosevelt and the nation owed General Butler a debt of gratitude for his exposure of the Morgan plot:

"If General Butler had not been the patriot that he was, and if they [the plotters] had been able to maintain their secrecy, the plot certainly might very well have succeeded, having in mind the conditions existing at the time. . . . If the plotters had gotten rid of Roosevelt, there is no telling what might have taken place."

### **Conclusion: The Synarchist Conspiracy**

Most investigators of this plot, including contemporaries, look at the evidence provided above, and brand the plot "Wall Street" in origin. But as we have indicated, the majority of the U.S. "players" and operatives, while having connections to the House of Morgan, etc., are also connected to powerful sections of British oligarchy, and with direct connection to the networks of international Synarchy, especially those France- and Belgium-based interests that were directly involved in the creation of the Hitler and Mussolini regimes. The "Morgan Coup Plot," as it was called then, was part of the same drive for fascism that produced the Hitler and Mussolini regimes, which is broader than "Wall Street" or even "British."

Just as with the drive for fascism today, behind it are the entirety of what LaRouche has called the "slime mold" of oligarchical financial interests, led by international Synarchy. Although Butler, and committee members like McCormack, and Spivak did not understand this principle, FDR, later given special intelligence from his operatives, had a deeper understanding of this enemy and the danger it represented, as well as its control of aspects of the U.S. economy through international cartel operations.

The coup plot was not defeated by mere exposure, though this played a crucial role. It was FDR, and his recovery program, coupled with this exposure—the "pitiless publicity" focussed on the financier conspirators—that defeated the plotters. Today, we have no FDR in the White House, and instead, find the Presidency in the clutches of the fascist conspirators and their henchmen like Dick Cheney; and we have the Congress, especially the Democratic opposition, manipulated by the fascist Felix Rohatyn. The leadership and program to defeat the coup must come from elsewhere: Lyndon LaRouche and his wing of the Democratic Party are the only chance this nation has for survival.