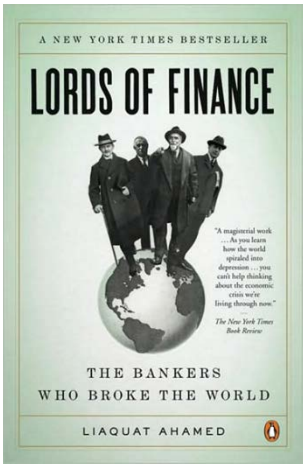
The Lords of Finance



The bankers who broke the world

By Liaquat Ahamed

I have recently read this book. I was so impressed with it that I would recommend it to anyone who has an interest in the way the world changed from the First World War to the Second World War, including the great depression of the 1930s.

Although I have an economics degree and found the discussion of economics easy to understand, I think it should be easy enough even for readers who do not have training in economics.

Of particular interest to me was the reintroduction of the gold standard and its subsequent collapse. This is very topical because over the last few years we have heard the gold standard being proposed by some people as a way to avoid financial crises. As this book demonstrates, the people who are proposing the reintroduction of the gold standard are probably speaking from ignorance. Having read this book, I judge that no reader of it would waste time considering such a course as a solution to anything. In fact, even before the First World War, when the gold standard worked reasonably well, there were still a series of financial crises, some of them every bit the equal of what we have been through in recent years.

Note: all monetary amounts in the book were converted to US dollars for easy comparison, unless otherwise indicated.

The summary that I have prepared of the book is focused primarily on the gold standard, however, there is much more in the book about the times and especially about the four central bankers who make up the cast of characters around which the story is told. This makes the book especially readable.

The book is about four central bankers, who at the time were the most exclusive club in the world. These men knew each other well and were in constant touch as they tried to manage the return to the gold standard and to keep it from failing. They were:

Montagu Norman (Bank of England)

Benjamin Strong (New York Federal Reserve)

Hjalmar Schacht (Reichsbank)

Emile Moreau (Banque de France)

First, I have constructed from the book a brief explanation of how the gold standard was intended to operate. The key power in the gold standard was that the central banks could issue currency. In doing so, they were constrained by the “rules” that made it mandatory that any currency issued must be backed by a fixed level of gold backing. The process for them to manage their economies under the gold standard was through interest rate variation (in the US also by discount rate variation).

The gold standard mechanism worked like this:

When a country's holdings of gold accumulated

The central bank reduced the cost of credit by dropping interest rates. This encouraged consumers and businesses to borrow, so pumping money into the economy. This usually led to a rise in prices (inflation). Exports became less competitive and fell, so gold flowed out of the economy.

When a country's holdings of gold became scarce

The central bank increased the cost of credit by raising interest rates. This encouraged consumers and businesses to cut back on borrowing, so pulling money out of the economy. This usually led to a fall in prices (deflation). Exports became more competitive, so gold flowed back into the economy.

The advantage of the gold standard was that the value of currency was tied to the quantum of gold reserves. So, governments had to live within their means and inflation remained low.

However, it was not all plain sailing. There were problems. The world stock of gold was relatively low and new mines were found only sporadically. The long-term shortage of gold led to low growth world-wide and deflation. Because gold was fixed, commodity prices fell. The result was periods of brutally high unemployment and social unrest, which between the wars led to the rise of fascism.

The great conundrum that underlay the gold standard was that even after the discovery of gold in the Transvaal and gold was not as scarce as it had been, prices rose and fell in great cycles albeit with a gentle slope. Prices generally returned to where they had started. However, financial crises still occurred. So, while the gold standard achieved some good outcomes in terms of low inflation, it did not do so without some of the worst financial crises in history.

The process through which financial crises developed was this: It begins with a burst of optimism. Then loose credit from banks leads to a mania or bubble. Then a sudden financial failure leads to panic. Investors try to liquidate in a falling market. Frightened depositors cause a run on banks, who will not lend to each other out of fear they may fail. Does this sound familiar in terms of what happened in 2008?

The story of the book begins with the end of World War One in 1918.

USA

European demand for materials and supplies during the war had set off an enormous post-war boom in the US. Even though Britain and France had borrowed $2 billion per year, the US gold supplies had doubled. The US money supply had therefore also doubled. Thus, World War One had irrevocably changed the relative positions of Europe and the US, where the US now had the largest gold supply, making it very much the key player in the post war period.

Europe

Britain, France and Germany had between them spent $200 billion on the war, which was equivalent to half their combined GDP. As well, Germany had to pay crippling reparations. All this expenditure had been financed by borrowing from citizens and from the US. It had also been met by printing money. The result was that British money supply had doubled, French money supply had tripled and German money supply had quadrupled. While the US money supply had also doubled, in its case it was covered by the influx of gold from Europe.

Germany after the war
Having little or no gold, huge reparations to pay on top of its debt, Germany tried to inflate its way out by printing money. It soon went out of control and led to hyperinflation. Near its height in 1923, German currency printing was employing 133 printing works, with 1,783 machines and drawing supplies from 30 paper mills. In August 1923, $1 was equal to 620 thousand Reichsmarks. In November 1923, $1 was equal to 630 billion Reichsmarks. In one day, they printed an additional two thirds of the entire money supply.

Return to the gold standard?
Among the central bankers and politicians, there was an almost theological belief in the gold standard. It was all they knew. The move to return to the gold standard was driven primarily by Montagu Norman at the Bank of England and Benjamin Strong at the Federal Reserve in the US. However, there was a huge hurdle to be overcome. Before the war, under the gold standard, money supply had been tied to gold reserves. However, during the war a mountain of paper currency had been issued by the belligerents in order to fund the war. Taking Great Britain as an example:

	1913	1923
Total money supply	$5 billion	$12 billion
Backed by gold reserves of	$800 million	$800 million
$1 in currency equalled	15¢	7¢

All four countries (US, UK, France and Germany) had this problem due to inflationary financing during the war. In theory, there were two alternatives open to them:

1. Deflate the monetary bubble. This would mean very tight credit and high interest rates. It would lead to recession and high unemployment. However, it would keep intact the wealth of lenders and of the investors who had bought government bonds.

2. Accept past mistakes and devalue the currency. i.e. reduce its gold backing. This course would expropriate the wealth of investors and lenders.

The four countries did not all choose the same course of action. The US and Britain chose deflation. Germany and France chose inflation:

USA
1919 – 20 saw a surge in consumer spending and led to inflation. The Federal Reserve raised interest rates and the government balanced its budget. This plunged the economy into recession, with 2.5 million unemployed. Bankruptcies soared. However, the 1921 price level was one third lower (deflation). The result was that the following seven years saw strong growth and low inflation.

> Readers may not readily understand what deflation means, it not having been widely experienced in their lifetime in Australia. To express it in easy terms, think that a cup of coffee was $3 in 1920 and fell to $2 in 1921, one year later. This was often a savage process that wreaked havoc on business and employment in the short term.

Germany
Because its money supply had ballooned to quadruple the pre-war level, Germany seemed headed for massive deflation if it were to choose the same path as the US. Instead, it tried to institute systematic inflation to get out of the hole it was in. This problem was, of course, exacerbated by the crippling reparations they were to pay the allies, on top of meeting repayment of their war debts. Unfortunately, once the inflation genie is out of the bottle, she is difficult to put back and the result was the worst hyperinflation for a major economy in modern times (Hungary in 1945-6 and Zimbabwe recently were worse, but they were small economies).

France
France was able to avoid the German disease of hyperinflation by limiting the money supply while they loosened interest rates and generated mild inflation. The thriftiness of its citizens also helped a great deal by covering up for the fiscal deficits that were involved. France dreamed of returning to the gold standard on their old exchange rates, but they gradually realised that it was not going to be possible.

Britain
In the hope of returning to the gold standard at the pre-war exchange rate, Britain chose deflation. Interest rates were raised sharply, plunging the economy into a deep depression. 2 million men were thrown out of work. Prices fell by 50%. This drastic economic surgery got the pound back to pre-war parity, but at a horrendous price: Unemployment was never less than a million men for the next 20 years. The economy failed to modernise and lost export markets.

Summary of the problems in returning to the gold standard
Germany had very small gold reserves and was never likely to be able to meet the punitive reparations. On top of that, France invaded and occupied the Rhineland and Germany had been forced to cede its overseas colonies that may have brought wealth bank to Germany.

Britain had some gold reserves, but its prices and currency were too high. This led it to a policy of brutal deflation and the loss of further gold.

France had gold reserves, while its prices and currency were too low. This led to a boom and bled the rest of Europe of gold.

USA had huge gold reserves ($4.5 billion out of a total for the four countries of $6 billion). It triggered a boom to try to assist Britain, but this was to lead to a mania that bled gold from Europe and led to the great depression.

The seat of the problem, then, was that the supply of gold no longer roughly matched the relative sizes of the four economies. It was much like a poker game in which one player has all the chips. There was simply not enough gold outside the US to grease the machinery of trade and commerce.

All that said the gold standard had worked in the late nineteenth century because of an accident of history: New mining discoveries had roughly matched economic growth. During all the discussion about a return to the gold standard, Maynard Keynes argued that gold backing was no longer necessary in a sophisticated economy. Returning to gold was like using an old tool on modern machinery. He further argued that the gold standard had never guaranteed stable prices. His was a voice that few listened to at the time.

The great irony here was that Benjamin Strong at the Federal Reserve followed every one of Keynes' recommendations in inventing the modern central banker:

- He severed the link between gold and credit creation (this insulated the US economy from the flood of gold).

- The automatic mechanism of the gold standard was replaced with a system of managed money.

- Credit policy was geared toward domestic price stability: loose when the economy was weak and tight when the economy was strong.

Thus, while Strong advocated a worldwide return to the gold standard he faced a fundamental conundrum in that what he did domestically undermined the gold standard. By withdrawing gold from the system, he prevented it recycling to Europe. Strong never resolved this contradiction and Europe would return to the gold standard on the classical rules, while US policy was geared to its domestic economy.

Germany stabilises

The problem of hyperinflation was mainly a political one. Streseman had to get around his finance minister Von Havenstein. To do so, he had Schacht issue a new currency called Rentenmarks. This exposed the key question: at what rate would the Reichsmarks convert to Rentenmarks? Cleverly, Schacht then sat on his hands while the value of the Reichsmark continued to fall. Finally, he fixed the rate of conversion at one Rentenmark to one trillion Reichsmarks. This was a brilliant strategy and enabled the government to buy back trillions of Reichsmarks in debt (although only worth $30 billion when first issued) for only 190 million Rentenmarks ($45 million). The side effect was to wipe out investors and lenders. Streseman backed this with a series of budgetary measures:

- Suspended subsidy payments to Ruhr workers.
- Fired 25% of the government workforce.
- Indexed all taxes to inflation.
- By 1924, he ran a balanced budget.

These things all helped, but Schacht was widely known now as *The Wizard* or as the *Miracle Man*.

However, two big problems remained:

1. Germany held only $100 million in gold reserves.
2. Stability would only be possible while Germany could stall payment of reparations.

Britain: the gold bugs win

Churchill, who was then Chancellor of the Exchequer, called a private debate among experts to help him decide. The gold Bugs were led by Montagu Norman. Against return to gold were McKenna (former Chancellor) and Keynes. The turning point came after hours of discussion when Churchill turned to McKenna and asked, in the circumstances, what decision would you make? McKenna replied: "There is no escape. You will have to go back; but it will be hell". The gold bugs had won.

> *… there would be times when speculative tendencies* [in the US] *would make it necessary … to exercise restraint by increased discount rates, and possibly rather high money rates in the market. Should such times arise, domestic considerations would likely outweigh foreign sympathies.*
>
> Strong's fateful prophesy to Norman around this time.

France 1926-27

Finance minister Caillaux convinced Churchill to restructure French war debt to Britain at 40¢ on the dollar (effectively from $3 billion to $1.2 billion). The same deal was done with the US. The French budget was now fully balanced. However, the franc was in free-fall at 30¢ to the dollar. Prices were rising at 2% per month. While many feared the German disease of hyperinflation, it was avoided by keeping the French money supply under control (as had the US).

Nevertheless on July 21 1926, Poincare formed a government with the franc at 50 to the dollar. However, associated mass psychology forged a change. In two days the franc rose to 40 to the dollar. A week later it had risen to 35 to the dollar. Prices and the cost of living fell and capital flooded back into France. A lot of this was driven by policies that Emile Moreau and his two assistants Rist and Quesnay instituted. The author opines that these three men were the few who really understood the complex situation.

However, the inflow of money became a flood. The franc rose to 30 to the dollar and then in mid-December 1926 to 25 to the dollar. Moreau was under pressure to intervene. His view of fixing the exchange rate was as a balance of the sacrifices of the different social classes. He chose a middle way between German inflation and a British recession to protect savers.

On 21 December 1926, Moreau began purchasing foreign currency to fix the franc at 25 to the dollar. By mid-1927, he had won. Capital flowed back. Foreign exchange holdings grew to $500 million, mostly in Sterling (for which he could demand gold). French exports boomed, while prices were stable. Moreau's mistake here was to selfishly (for France) undermine the stability of the gold standard.

USA 1926-27

From 1922, Strong managed to effect stable prices with low interest rates. Economic growth was very strong. Profits rose with 1925 being double those of 1913. Productivity rose and wages were stable. The Dow rose: it was 67 in 1921 and had risen to 150 by 1925. There was a land boom in Florida.

Strong was worried about a bubble forming in the Dow. He remembered that there had been financial crises in 1837, 1857, 1896 and 1907. He had personal experience of 1896 and 1907. His problem was in discriminating between a bubble and a rise that was due to higher earnings.

By 1925 Strong had no US inflation to worry about, but Britain was now on the gold standard and Europe as a whole was very fragile. Strong decided it was not the time to tighten credit and judged that the stock market would have to be left at this time for later action if warranted.

In retrospect, Strong made a correct decision in resisting pressure from Hoover to tighten credit. By mid-1927, the Dow was 168. Profits were growing strongly. The price earnings ratio was 11 times and compared to a generally agreed danger level of 20 times. Prices were remarkably stable. The Florida land boom had ended in a bust, but with little effect on the broader economy.

> Here, the author made an interesting statement*: The men in charge of central banks seem to face … [an] unfortunate fate … of watching their successes dissolve in failure*. Their goal is a strong economy and stable prices. However, this breeds overoptimism and speculation, which in turn destabilises the economy.

Germany 1927

Schacht had by now tamed inflation and enjoyed unassailable power at the Reichsbank. One commentator at the time described his style as a: *"… tactic of consulting everyone and then doing exactly what he pleases".*

Problems early 1927

Gold was steadily flowing from Britain, whose currency was overvalued, to France, whose currency was undervalued. Under the rules of the gold standard, Britain should raise interest rates, but it was already in a severe recession. Norman pressed Moreau to cut interest rates. In the end they failed to agree on action and both acted only at the edges of the problem.

Meanwhile the US was in the start of a stock market bubble. On the other hand, Germany had foreign borrowings that it was never likely to be able to repay (most of the borrowing was to meet reparations). The gold standard was increasingly dysfunctional and all four central bankers knew it. However, they did not anticipate the scale of the coming storm.

1927-29: the dysfunctional gold standard

Strong had hoped that the lopsided distribution of gold would fix itself, but it didn't. Sterling had returned to the gold standard at too high an exchange rate. The franc had returned to the gold standard at too low an exchange rate. Clearly, Britain should force prices down, but it didn't for fear of social unrest. Equally clearly, France should raise its prices, but refused. The only alternative seemed to be a British devaluation, but all four central bankers feared that it would destroy the gold standard.

At the same time, the German exchange rate was also low and its exports were competitive as a result. However, it had been denuded of gold in the early 1920s. It was spending heavily on reconstruction and reparations.

So, gold was flowing to the US and France (from the UK primarily), while Germany had little gold.

1927-28 Strong's dilemma

One way for the US to help Europe (especially Britain) was to drop interest rates. This seemed justified by a mild US recession in 1926. Also world prices were falling steadily. The Dow still seemed OK at 170.

Before the war, the gold standard ran independently as each country followed the rules. However, since the war, the gold standard had evolved into a de facto dollar standard. This meant that central bankers had to consult with each other. This they did in response to the clear problem of getting gold to flow from the US to Europe.

A meeting of the four central bankers was called. Norman argued that Britain's gold reserves were critically low and the link between gold and sterling was in peril. He also pointed to a developing gold shortage as new countries re-joining the gold standard built up reserves. Rist (for Moreau, who did not speak English like the other three) pushed for Britain to deflate. Underlying this was that France held huge reserves of sterling, which if converted to gold would drain Britain and threaten the gold standard.

Schacht said little: his problem was now too much hot money flowing in (too much foreign debt), but he warned that reparations would break down.

As it happened, Strong had already made the fateful decision to ease interest rates to help Europe. He acknowledged the risk in the stock market, a risk he would take. In mid-1927, Strong cut interest rates from 4% to 3.5%. Hoover opposed this cut, but was powerless because the Federal Reserve was independent by law.

Very soon afterwards, US political pressure on Strong rose. The recession had gone. Gold was flowing to Europe. Britain was in better shape. By February 1928, Strong realised his mistake and over the next three months interest rates rose from 3.5% to 5%, but it was too late, the genie was out of the bottle in the US.

1928-29 into the vortex

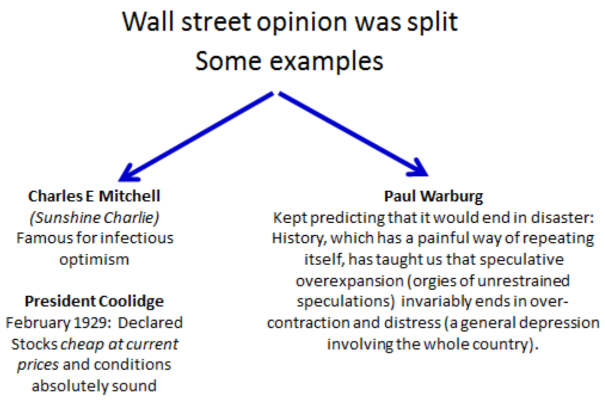
The US stock market had begun with a bull market between 1922 and 1927. Profits had risen by 75% and the Dow had risen similarly. By mid-1927, the first signs of a bubble emerged driven by the easing in interest rates. Profits were weaker, but the Dow rose 30% to 200. From mid-1928, the Dow almost doubled (200 to 380), but with profits increasing by only 10% per year.

All of the classic symptoms of a mania were present:

- Fewer stocks were leading the market up.
- Speculating on stocks had become a national pastime.
- There was belief in a new era.
- Conventional standards of financial rationality were abandoned.
- An army of ill-informed amateurs were speculating on nothing more than rumours and tips.

Some further signs of mania were also present:

- In 1929, one in ten households was in the market.
- Doomsayers were attacked publicly.
- The number of brokerage houses doubled from 700 in 1925 to 1,600 in 1929.
- Boardrooms had replaced the bars that were shut down by prohibition.
- One third of speculators were women and there were articles on the market in women's magazines.
- The new folk heroes were the pool operators (the hedge fund managers of today).



When Hoover was nominated for the presidential election, the market fell 7%. However, later, as we will see, he said little. Hoover believed that the market was in fantasy land, but the underlying economy seemed sound.

The Federal Reserve at first acted to reverse its mistake by raising interest rates. However, by mid-1928, the Dow began its second leg upward and the Federal Reserve fell silent. Its conundrums revolved around the fear that tightening further would arrest the stock market, but it would also inflict collateral damage on the real economy. Now there was a flood of capital into Wall Street from aboard and tightening further would only exacerbate it and possibly force sterling off the gold standard.

This problem began to badly affect Europe with Wall Street sucking in speculative money. Fearing that tightening interest rates would harm the real economy, the Federal Reserve called for direct action on speculation with a weak directive to banks not to borrow from the Federal Reserve banks for lending to speculators.

The Federal Reserve was a group of central banks, with a Federal Reserve Board in Washington that could override the regional banks. In February 1929, the New York Federal Reserve announced an increase in interest rates, but was immediately overruled by the Federal Reserve Board. This was repeated no less than ten times over the next three months.

However, there was collateral damage in Europe from the Wall Street mania. In Germany, long term foreign loans dried up as money was sucked into Wall Street. Germany was now relying on hot (speculative) money from Britain and France and was tipped into recession. At the same time, Germany was facing a reparations timetable that assumed it had recovered from the war and called for an increase in reparation payments to 5% of its GDP. A meeting was called to renegotiate reparation payments. The outcome was still punitive and Schacht signed the deal only because it was the best he could get:

- $500 million per year for the next 36 years (to 1966)
- $375 million for the following 22 years (to 1988)

Privately, Schacht feared that it would hold the situation for only two more years before the next crisis. His view was shared publicly by Keynes, but he was a small minority.

Norman saw the situation in mid-1929 as a series of flashpoints:

- Germany was on the brink of recession. It was even borrowing at extortionate rates from Ivar Kreuger (http://en.wikipedia.org/wiki/Ivar_Kreuger), called the Match King.
- There was a world shortage of gold.
- There were high interest rates internationally (>10%).
- Commodity prices were relentlessly falling.
- There was madness running loose on Wall Street.
- Sterling was chronically weak and hostage to France.

In August 1929 the battle for gold reserves prompted Norman to warn the Bank of England directors that large parts of Europe, including Britain, would be forced off the gold standard and to prepare for havoc.

1928-29 purging the rottenness

October 1929 saw the great crash begin on Wall Street. Hoover tried to calm things but as the author says:

> *To some degree he was caught in a dilemma that all political leaders face when they pronounce upon the economic situation. What they have to say about the economy affects its outcome – an analogue to Heisenberg's principle. As a consequence, they have little choice but to restrict themselves to making fatuous positive statements which should never be taken seriously as forecasts.*

Over the first few months:

- The Dow fell 40%
- The British stock market fell 16%
- The German stock market fell 14%
- The French stock market fell 11%

All four countries followed the US in cutting interest rates:

- The Federal Reserve to 2.5%
- The Bank of England to 3.5%
- The Reichsbank to 4.5%
- The Banque de France to 2.5%

1930-31 the real trouble begins

During 1920, industrial production fell by 30% in the US, 25% in Germany and 20% in Britain. Unemployment rose to 5 million in the US, 4.5 million in Germany and 2 million in Britain. Commodity prices collapsed, with coffee, cotton, rubber and wheat all down more than 50%.

Countries began leaving the gold standard and Brazil, Argentina and Australia all let their currencies devalue. In the industrial world, wholesale prices were down 15% and consumer prices fell 7%.

Strange as it may seem now, there were grounds for optimism because the US had survived a similarly sharp decline in prices and production in 1921. However, this time it was difficult for any country to jumpstart the world economy. Countries needed gold to create credit, but there was a strong flight of capital to the US and

France and out of Britain and Germany. During 1930, $300 million in gold flowed from Europe to the US. Even more disruptive was $500 million in gold flowing into France, which had only 190 thousand men unemployed. By the end of 1930, the US and France between them had 60% of the world's gold.

Under the gold standard, France should have expanded credit, but Moreau managed to **sterilise** the new gold in case it led to inflation. There was a clear breakdown in the international payments system.

Then on 10 December 1930 a run started on the Bank of United States (BUS). Bankers were called together to form a rescue, but failed to agree because BUS was insolvent. It was forced to close. Fortunately, the system survived and the panic died down for the moment. Then more banks began to fail and the Federal Reserve banks refused to help. The Federal Reserve decided to let them fail, but they did not realise that in doing so they destroyed faith in the banking system.

> At this time, Norman wrote to Moret (succeeded Moreau) asking that the letter be filed for future reference: In it he foresaw the wreck of the capitalist system within a year because he could sense the world's credit supply was drying up.

1931 the loose cannon

By 1931, Germany was in a parlous state. There were 4.7 million unemployed. This was 25% of the population, but as most workers were men, it was a much higher proportion of the workforce. The country was impossibly burdened by foreign debt and punitive reparations. Nobody abroad would now lend to them, because they correctly assessed that Germany could not repay its debts, let alone meet its reparation payments. The solution of inflation was rejected because of the fear of hyperinflation returning. The inflation course would also have meant leaving the gold standard. That left austerity as the only policy available, but it would have to be brutal. As we now know, it was the entry door for fascism.

1933-34 the aftermath

Across the Atlantic, Roosevelt boldly took the US off the gold standard. He devalued the US dollar (increased the price of gold), one of the cardinal sins under the gold standard. He was able to do this by tacking a clause onto an unrelated bill, so that Congress unwittingly gave him the power to devalue the dollar up to 50% and to print $3 billion of greenbacks without gold backing. All hell broke loose, but FDR's bold policy changed the psychology of the country. Within days the Dow was up 15%. This threat to print money forced the independent Federal Reserve to inject $400 million into the system. This, combined with the earlier rescue of the banks, swung sentiment to positive. Over the next three months:

- Prices rose and the real cost of credit fell
- Wholesale prices rose 45%
- The Dow doubled
- New heavy machinery orders rose 100%
- Automobile sales doubled
- Industrial production rose 50%

In October 1933, Roosevelt began to buy gold. He forced the price up to $35 and then froze it. The effective devaluation of the dollar was 40%. Over his first term, Roosevelt saw GDP expanded by 40%, the highest ever for a single presidential term. However, it was not a straight or easy path for the country. In 1936 there were still 10 million men unemployed in the US.

1933-34 the caravans move on

In March 1931, Great Britain left the gold standard.

Late in 1931, Germany defaulted on reparations and introduced exchange controls, though it never officially left the gold standard.

In March 1933, the US officially left the gold standard.

France left the gold standard in 1936.

In 1933, Schecht, now back at the Reichsbank under the Nazis, introduced Keynesian policies even before the *General Theory* had been published:

- Massive public works were funded by printing money.
- Unemployment fell from 6 million in 1933 to 1.5 million in 1936.
- Industrial production doubled.
- Schacht now ruthlessly renegotiated foreign debt (when a borrower is in for a great deal of money and cannot pay, he has all the power, not the lender who is facing default).

Epilogue

The author fixes the blame for the failure of the return to the gold standard on two groups:

1. The politicians at the Paris Peace Conference.
2. The four central bankers around whom the story has been wound.

The four central bankers did succeed in keeping the world economy going, but by holding US interest rates down and keeping Germany afloat with loans, they created a US bubble that led to the great depression and spelled the collapse of the gold standard.