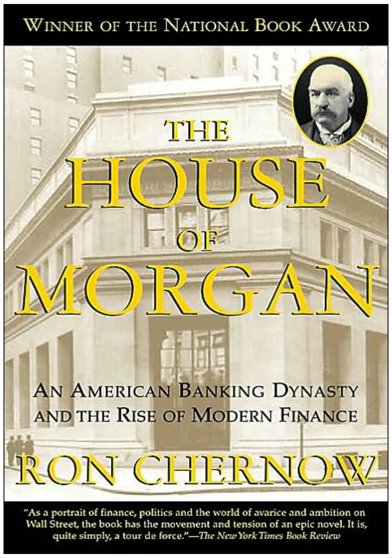

<u>The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance</u> (1990), Ron Chernow.

In reading several of Dr. Murray Rothbard's writings, I kept coming across references to this work. I realized that this work was extensive, and therefore, it was bound to give me insight into my hypothesis - that the banking system has become more aggressive throughout the 20th century. The quotes below lend support to this theory. Though one might be hesitant to read this book in its entirety, I would highly encourage any investor to read part three, The Casino Age, which covers the years from 1948 - 1989.

"It was a brand new age of banking, one with a less austere image. The stereotypical banker had been a grumpy Scrooge who closely scrutinized loan applications and was congenitally biased toward rejecting them. That befit a historical situation of scarce capital, rationed by bankers. But the situation was reversed in the Casino Age, which was characterized by new financial intermediaries and superabundant capital. The banker now evolved into an amiable salesman who belonged to the Rotary Club, played golf, and smiled in television ads." *Pg.530*

The Interest Equalization Tax proposed by Kennedy in 1963 further fostered this new banking image. "By penalizing the sale of some foreign securities to American investors, it provided incentives for banks to flock abroad. Along with the new trend of buying money instead of gathering deposits, the creation of the Euromarkets lifted restrictions on growth. If the Fed tightened credit in the United States, banks could sell large CDs in London and use Eurodollars to finance their domestic lending." *Pgs.544, 545*.

"By 1968, seventy of Britain's one hundred largest companies had been involved in takeovers in just two years." The world of takeovers in the "Go-Go" sixties would take banks into unchartered waters. "Both on Wall Street and in the City [London], the graceful, leisurely world pf securities syndicates was being replaced by the predatory world of mergers and the freewheeling, irreverent world of traders." *Pgs.570, 588*

International banking opened up in the 1960's bringing more and more lending to foreign nations throughout the 1970's. Consider the added risk as you look at the following:

"For Wall Street's most conservative bank to have its largest foreign stake in Brazil showed its reliance on progressively riskier loans for profitability. Several overriding illusions clouded judgment. One was that countries didn't go bankrupt. This almost inverted historic truth. Default on sovereign debt had been commonplace for 150 years. In 1983, international bond offerings, for the first time passed global bank lending in scope. [Banks] also accelerated trading in gold bullion, foreign exchange, and financial futures." *Pgs.638, 654*

This book contains numerous illustrations showing that financial markets are not unfolding in some random manner, but that institutions, and the leaders that affect those institutions, are exhibiting a major influence on the direction of the financial industry and its risk.

Doug Wakefield