

Investigation of Un-American Propaganda
Activities in the United States

Monday, August 28, 1939

Mr. Barker. Yes, Sir.

The Chairman. And the other had practically no deposits?

Barker. \$4,700

Chairman. Then the Galahad Press was thrown into bankruptcy, but not the Foundation for Christian Economics?

Barker. They tried that, and I am coming to that in a moment.

Chairman. All Right.

Mr. Thomas, Mr. Barker, I am trying to get straightened out as to where they got the \$81,000. Does that represent earnings from the publishing company; that is, the Galahad Press, or did they get some of the \$81,000 from other sources?

Barker. Mr. Thomas, the deposits in that account were so numerous that it ~~is~~ was impossible to check them. Most of the money came from the publishing business.

Thomas. In other words, the earnings of the publishing company were transferred to the Foundation?

Barker: Yes, sir; the funds that were coming to the Galahad Press, previously coming to the Galahad Press, were deposited in a bank in New York and in a bank in Washington, D. C, and later in the First National Bank of Asheville - those funds were diverted over considerably to the Foundation for Christian Economics and they amounted to that amount over that period.

Mr. Whitley. The total amount of that diversion, Mr. Barker, was \$81,000, in round figures, in the two banks in Asheville, N. C; that is, the two bank accounts of the Foundation for Christian Economics?

Mr. Barker: Yes, Sir.

Mr. Whitley. Also the \$29,000, in round figures, which was deposited to Pelley's personal account in the Washington Bank?

Mr. Barker. Yes, Sir.

Mr. Whitley.. That also constituted a diversion of funds from the Galahad Press into other accounts?

Mr. Barker. Yes, sir: it would appear from the testimony given by Pelley's own employees and by Pelley himself in the bankruptcy proceedings that such was the case.

Chairman. So over \$100,000 was not deposited to the account of the Galahad Press, which was the Corporation doing the publishing business?

Barker. Yes, sir: the Galahad Press was supposed to be engaged in the publication of Liberation, the magazine.

Chairman. The Galahad Press was allowed to become insolvent and finally went into bankruptcy?

Barker. Yes, sir; the testimony of Pelley's bookkeeper in the Federal court is here on the table, and this bookkeeper testified that the books of the Galahad Press just stopped, that there was nothing of record to show whatever became of the assets of the Galahad Press.

Whitley: Were the books destroyed, or what happened to them?

Barker: I will come to that. He testified that they just quit, and in that same ledger - I have the books right here - in that same ledger the Foundation for Christian Economics opened up an account and they started doing business, but that the books did not show what became of the assets of the Galahad Press.

Chairman: In other words, the ledger books they used for the Galahad Press was used by the Foundation for Christian Economics?

Barker. Yes, sir; the same book.

Chairman: It stopped with one corporation and began with another corporation?

Barker. Yes, sir.

Chairman. You may proceed.

Barker: Now, on January 14, 1934, Pelley was out in California. Harry F. Sieber, who was a newspaper man, I think he is with the Sun Publishing Co, of Akron, Ohio, or was, was with Pelley then as secretary of the Foundation for Christian Economics. Sieber did not have anything to do with the Galahad Press, although they were all housed in the same building, with the same office, the same desks, the same typewriters, and the same books. Pelley sent Sieber a telegram, reading as follows:

"Ranger to be continued here with coming issue"--

That is the Silver Ranger --

"agree with you regarding Washington, but shall start east to fix in time for February divorce hearing. You were all wrong concerning Weeks. Until here whipping rapidly into shape. Delaware plan excellent. Suggest sample chart. Immediately clean records clean."

Chairman: What date was that?

Barker. January 11, 1934

Chairman: It says, "Clean records clean"?

Barker. Yes, sir.

Chairman: Of the Galahad Press?

Barker: Yes, sir.

Mr. Whitley. That was sent by Pelley from California to his office man?

Barker: It was sent to Sieber, the secretary of the foundation.

Whitley: In Asheville?

Barker: In Asheville.

Whitley. Will you identify the Silver Ranger?

Barker. That was a publication that the Silver Legion had incorporated. That telegram was signed "Bill".

When they examined Pelley in the Federal court he admitted sending the telegram, but he denied the last line, "clean records clean"; but here is what -

Voorhis. He admitted he sent the telegram, but said he did not send the last line?

Barker: Yes, sir. Here is the examination of Summerville, who was manager of the Galahad Press, in the bankruptcy proceedings in the Federal court, in volume 1, on page 29:

Question. But all of the correspondence of the Foundation for Christian Economics, prior to Jan. 1934, have been destroyed?

Answer: Right.

Question: All the correspondence of the ~~Fee~~ Silver League had been destroyed $\frac{3}{4}$?

Answer: Right.

Question: All of the correspondence of the League of Liberation been destroyed, prior to 1934.

Answer: Right.

Sieber, Kellogg, and Summerville carried all of the canceled checks of the Galahad Press, all the correspondence and records, and some of the books down to the furnace of the Woman's Club on Sunset Drive in Asheville, where Pelley has his office located, and burned them. On March 17, 1934, the Silver Legion of America, Inc., was incorporated in Delaware.

Chairman: So they wound up the Galahad Press and they wound up the foundation and destroyed the records, and then began the Silver Legion?

Barker: No; the foundation continued, the bank account continued under the name of the Foundation for Christian Economics. The bank account for the Galahad Press had stopped in October 1932, and this was in March 1934.

They destroyed the records in January and they incorporated the Silver League in Delaware on March 17, 1934, and the funds had already been diverted for several months, from October 1932, from the Galahad Press to the Foundation for Christian Economics.

Barker (cont) Three days after they incorporated the Silver League of Delaware a lawsuit was filed by creditors of the Galahad Press, and that was the beginning of the fall of Pelley. That lawsuit was filed by Charles G. Stott & Co., of Washington, D. C., before J. H. Bramlet a justice of the peace in Buncombe County, on a \$111 unpaid bill. Process was issued, and the case heard by default on March 30, 1934, and judgment was entered for the plaintiff, and the judgment was duly docketed on the record of the clerk of the superior Court for Buncombe County, N. C. Execution was issued and placed in the hands of the deputy sheriff, who went out to the Woman's Club on Sunset Parkway, in Asheville, to levy on the assets of Galahad Press to get \$111 and costs, but they told him there was not a scrap of paper out there that belonged to the Galahad Press; that the Galahad Press was no more. So he made his return, nulla bona, on April 14, 1934, and application was made to Judge Michael Schenck, in the Nineteenth judicial district of Asheville for the appointment of a receiver for Galahad Press, and he appointed as receiver W. Bowen Henderson, a certified public accountant, and the receiver went out to see what he could get from the Galahad Press, but he could not find anything. He reported to the court that he could not find anything, and thereupon the court impounded everything in the Woman's Club that belonged to Pelley, and they sent the sheriff out there with a truck, and he carted off everything they had and put it in the courthouse.

On the 16th of April 1934 Sieber, who was the treasurer of the Silver Shirt Legion of Delaware and one of the incorporators, rushed out and established a bank account in the name of the Silver Shirt Legion of America, Inc.

Chairman: We have one phase of this thing. We do not want to go too much in detail, but you have all the documentary proof. From your investigation, from the facts you have been able to ascertain, you find that Pelley diverted approximately \$110,000 from the Galahad Press to his own personal account and to the Foundation for Christian Economics; that he brought about that diversion which resulted in the insolvency, and finally the bankruptcy of the Galahad Press?

Barker. Yes, sir. Indirectly.

Chairman. And the loss to the creditors?

Barker. Yes, sir.

Chairman: What was the date of that decision?

Barker. February 18, 1935.

Chairman: He was put on good behavior for 5 years after that?

Barker: Yes; he is still on probation, and both Pelley and Summer-ville come up for judgment on February 18, 1940, on the second count of the indictment.

Chairman: So after diverting more than \$100,000 and causing a complete loss to creditors and to preferred stockholders, the only punishment meted out was a suspended sentence and a fine?

Barker: Under this indictment he was not indicted for diverting that money.

Chairman: I understand, but no other criminal action has ever been taken against Pelley.

Barker: No, sir: that is the only criminal action taken against him in that regard. The judgment of the court as to Summerville was that they gave him 1 to 2 years and put him on probation for 5 years, but since all of the costs had been assessed against Pelley they did not assess any cost or any fine against Summerville. The total fine and cost paid by Pelley was \$1,719.50.

Chairman : Was any criminal action taken against Pelley, outside of that growing out of bankruptcy, when they found he had diverted funds amounting to \$29,000 and he had destroyed his records? So far no criminal action has been taken against him at all?

Mr. Barker. No Sir.

Whitley: He was not prosecuted for violation of the Bankruptcy Act?

Barker: No, sir. All evidence which could be used against him had been destroyed.

Thomas

Voorhis: I thought I understood you to say that the Galahad Press paid the incorporation for the Foundation of Christian Economics, is that right?

Barker: Yes, sir.

Mr. Voorhis: It paid for both of them - for that and the Silver Legion?

Barker: No. The Galahad Press paid for the foundation.

Voorhis: And the foundation paid --

Barker: The foundation paid for the Silver Legion.

Whitley: And shortly after the telegram stating "Clean records clean" you testified that Pelley's staff - office force in Asheville - did burn certain of the records relating particularly to the Galahad Press.

Barker: Yes, sir.

Whitley: At the time of Pelley's examination before the referee, in connection with his bankruptcy, did he contend that the Foundation for Christian Economics and the Silver Legion of America were separate, entirely separate, organizations; had nothing to do with the Galahad Press?

Barker: Yes, sir.

Whitley. ~~The~~ He contended, and successfully contended, that they were

entirely separate, and there was no connection between them?

Barker: Yes, sir.

Whitley: ~~He contended, and successfully contended, that they-w~~
That they should not be included any way in the bankruptcy proceedings?

Barker: Yes, sir: The creditors appealed from that Federal judge's decision to the United States Circuit Court of Appeals for the Fourth Circuit, but they did not file a transcript of the record, and the circuit court of appeals under their rules docketed the case, heard it, and dismissed it at the cost of the appellee
