

AN INVESTIGATIVE HISTORY

THE FEDERAL RESERVE

THE DUPING OF AMERICA

WHO REALLY FOUNDED IT. WHY.
AND HOW IT CHANGED THE NATION FOREVER.

DECLASSIFIED

REV. GEORGE H. STODDARD

Author of The Ark Hunter and The Real Failures of 9/11

BOOKLYN

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This book is a work of historical nonfiction. It draws on the Federal Reserve's own published historical archive, primary legislative and legal documents, contemporaneous and archival news reporting, and standard academic and historical references, identified in the Note on Sources. Where a widely circulated claim could not be verified, or was found to be fabricated, this book says so directly rather than repeating it as fact.

This book is not legal, financial, or investment advice.

ABOUT THIS BOOK

In November 1910, six of the most powerful men in American finance boarded a private railcar in New Jersey, told the press they were going duck hunting, and disappeared for ten days onto a private island off the coast of Georgia. They used only first names. Three years later, what they built in secret became the Federal Reserve System.

This book tells the full, documented story of how it happened: the panics that made a central bank feel inevitable, the bankers who wrote the first draft behind closed doors, the populists who rewrote it in Congress to keep Wall Street from owning it outright, and the compromise — public board, quasi-private banks, a currency permanently detached from gold — that has shaped every recession, bubble, and dollar in your wallet for over a century.

It also does something most books on this subject refuse to do: separate what is proven from what is popular myth. The real Jekyll Island meeting is stranger than the legend. The most famous Woodrow Wilson quote about the Fed is fake. And the antisemitic “international bankers” conspiracy theory that has attached itself to this history for a hundred years is a documented lie this book names and refutes — while still telling you exactly who did meet in secret, what they wrote, and why it worked.

From Alexander Hamilton’s first bank to the Supreme Court fight over Kevin Warsh’s Federal Reserve in 2026, this is the story of how America decided, again and again, who gets to control its money — and who paid the price when it got it wrong.

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A NOTE ON METHOD, SOURCES, AND HONESTY

This is a book about an institution that has been lied about from more directions than almost any other in American life.

It has been lied about by people who call it a secret society of Jewish bankers plotting world enslavement. That is not history. It is a hundred-year-old piece of antisemitic propaganda wearing the costume of research, and this book names it and refutes it directly, because ignoring it does not make it go away — it just leaves the field to the people still spreading it.

It has also been lied about, in a quieter way, by people who insist the Federal Reserve is a normal government agency like the Social Security Administration, fully public, fully accountable, nothing to see here. That isn't true either. The Federal Reserve is a strange, hybrid, deliberately compromised creature — part federal agency, part banker-owned utility — and understanding *why* it was built that way is most of what this book is about.

So here is how this book handles claims:

Documented fact means the event is established by primary sources — legislation, the Congressional Record, the Federal Reserve's own historical archive, court rulings, contemporaneous news accounts, or the participants' own on-record statements. Most of this book is built from this material.

Mainstream historical consensus means professional historians and economists agree on the interpretation, even though the event itself can't be footnoted to a single document — for example, that the Federal Reserve's tight money policy deepened the Great Depression. Where this book relies on consensus rather than a single document, it says so.

Contested and explicitly flagged means serious historians disagree, or the evidence is incomplete — for example, whether Benjamin Strong was physically present at the Jekyll Island meeting in 1910. This book tells you when that's the situation instead of picking a side and pretending it's settled.

Myth, and debunked means a claim that circulates widely — often in other books about this exact subject — that does not hold up against the record. This book identifies the most important ones by name: the fabricated Woodrow Wilson quote that appears in half the books ever written about the Fed, the invented details about the Jekyll Island trip that get repeated as fact, and the Rothschild/international-banker conspiracy theory that has been debunked by historians across the political spectrum for decades.

The Federal Reserve does not need mythology to be worth criticizing. The documented record — the secrecy, the self-interest, the currency debasement, the panics it failed to prevent and the ones it arguably caused — is damning enough on its own. Making things up on top of it doesn't strengthen the case against the Fed. It hands the Fed's defenders an easy target and lets them dismiss the real critique along with the fake one.

This book's job is to make that impossible.

— *Rev. George H. Stoddard*

PART ONE: BEFORE THE FED

Chapter 1: Money Is Power

Every fight over a central bank in American history is really the same fight, fought over and over in different clothes: who gets to decide what money is worth, and who gets to create it.

That sounds abstract until you notice what it actually controls. Whoever controls the money supply controls, indirectly, the price of borrowing, the value of every wage and every savings account, the profitability of every bank, and the government's ability to spend money it does not currently have. That is an extraordinary amount of power to hand to any institution — and the United States spent its first 124 years as a nation unable to agree on who should hold it, or whether anyone should.

This is not a uniquely American anxiety. Every society that uses money has had to answer the same question. A king who controls the mint can debase the coinage and quietly rob everyone who holds it — this happened constantly in the ancient and medieval world, from Roman emperors clipping silver out of the denarius to medieval monarchs recalling and reissuing coins at a profit. A private banker who controls credit can starve a rival's business or a whole region by simply refusing to lend. A government that controls a printing press can pay off its debts by making the currency worthless, which is a tax on everyone who saved money, disguised as something else.

The founding generation of the United States knew all of this. Many of them had lived through the collapse of the Continental Currency during the Revolutionary War — money printed by the Continental Congress to pay for the war, with nothing backing it but the hope that the new country would survive to redeem it. It did not hold its value. By 1781, the phrase “not worth a Continental” had entered the language as shorthand for something worthless. That experience — watching a national currency go to zero —

shaped how the founders thought about money for the rest of their lives, and it shows up constantly in their debates over the Constitution and the first Bank of the United States.

They also knew the opposite failure mode. Individual states under the Articles of Confederation had issued their own paper money, and some of it was used, as debtors sometimes intended, to inflate away debts owed to creditors. Massachusetts refused to inflate its currency during a severe post-war recession, and the resulting pressure on indebted farmers helped trigger Shays' Rebellion in 1786 — an armed uprising that badly frightened the men who would go on to write the Constitution the following year. Too little money and money too tight to service debts could produce as much instability as money debased into worthlessness.

So the founders arrived at the Constitutional Convention in 1787 having watched both directions fail. They gave Congress, not the states, the power “to coin Money, regulate the Value thereof” — Article I, Section 8. They forbade the states from issuing their own paper money or making anything but gold and silver coin legal tender — Article I, Section 10. They said almost nothing about banks, because the delegates could not agree on whether the federal government should be in the banking business at all, and left that fight for later. It came almost immediately.

Understanding what came next requires holding two facts in your head at once, because most books about the Federal Reserve only give you one of them.

The first fact is that a national currency without any central management is genuinely dangerous. A patchwork of thousands of different banks issuing their own private currency, with no institution able to act as a lender of last resort during a panic, produces recurring, devastating financial crises — and the United States had exactly that system, on and off, for most of its history before 1913, and it produced exactly that outcome, repeatedly, at a real cost

in ruined banks, lost savings, and unemployment. This is not propaganda from central bankers trying to justify their own existence. It is the plain record of 1819, 1837, 1857, 1873, 1884, 1893, and 1907 — a panic every decade or two, like clockwork, under a system with no central bank at all for much of that span.

The second fact is that handing the power to create and manage money to a small, closed group of private financiers is also genuinely dangerous, for the opposite reason: it lets that group profit from the arrangement, insulate itself from the consequences of its own mistakes, and shape monetary policy around what is good for large banks rather than what is good for everyone else. This is also not paranoid fantasy. It is the plain record of who wrote the first draft of the plan that became the Federal Reserve Act, where they wrote it, how they kept it secret, and what they personally stood to gain — a story this book tells in complete, sourced detail in Part Two.

Almost every book written about the Federal Reserve picks one of these two facts and ignores the other. The books written by economists and the Fed's own historians tend to treat the story as a tidy progression from chaos to stability, glossing over the self-interest and secrecy involved in the founding. The books written by the Fed's harshest critics tend to treat the pre-1913 panics as minor noise and the founding as a pure conspiracy, ignoring the genuine, well-documented instability that made some kind of reform feel necessary to nearly everyone in American public life by 1907 — bankers, populists, and everyone in between.

This book tries to hold both facts at once, because that is what actually happened. The United States built a deeply flawed, secretly negotiated, banker-influenced institution — in response to a real and repeatedly demonstrated problem. Both halves of that sentence are true, and you cannot understand the Federal Reserve, or what has happened to the dollar and the American economy since 1913, by throwing either half away.

The chapters in this Part tell the story of the 122 years before the Federal Reserve existed: three previous attempts to solve the same problem, two of which were killed on purpose, and a “free banking” era so unstable that by the time the fourth attempt succeeded, both Wall Street and Main Street had their own separate reasons to want a change. Neither side got exactly what it wanted. What they got instead is the subject of this book.

Chapter 2: Hamilton's Bank and Jefferson's Rebellion

The first fight over a central bank in American history broke out inside George Washington's own cabinet, between the two men history would remember as the architects of the country's first two political parties: Alexander Hamilton, the Treasury Secretary, and Thomas Jefferson, the Secretary of State.

Hamilton's problem, in 1790, was concrete and urgent. The new federal government had inherited a mountain of debt from the Revolutionary War — its own debt, plus debts individual states had run up fighting the British, which Hamilton wanted the federal government to assume. The country had no reliable national currency, no stable banking system, and no way to finance its own operations beyond tariffs and the goodwill of its creditors. Hamilton believed the new nation's credit — its ability to borrow, and to be trusted by lenders — was the single most important asset it had, and that a national bank, modeled loosely on the Bank of England, was essential to managing that credit, issuing a stable currency, and giving the federal government a reliable financial partner.

His plan, submitted to Congress in December 1790, proposed the Bank of the United States: a private corporation, chartered by Congress for twenty years, in which the federal government would own a minority stake (about 20 percent) and private investors the rest. The Bank would hold government deposits, issue banknotes that would function as a de facto national currency, and lend to both the government and private business.

Jefferson and his ally James Madison objected on constitutional grounds, and their objection was not a smokescreen for some other agenda — it was the argument itself. Nowhere does the Constitution give Congress the power to charter a bank or any other corporation. Hamilton's defenders pointed to

the Constitution's "necessary and proper" clause, which lets Congress pass laws needed to carry out its enumerated powers. Jefferson read "necessary" narrowly — a bank had to be *indispensable*, not merely useful, to be constitutional, and the government had clearly functioned without one before. Hamilton read it broadly — anything plainly adapted to a legitimate end, not certain to fail, and consistent with the "letter and spirit" of the Constitution was fair game. This was, in miniature, the entire future argument between strict and loose construction of the Constitution, playing out for the first time over a bank bill.

There was a second layer to the fight that had nothing to do with constitutional theory. Jefferson and Madison represented, broadly, the agrarian South: plantation owners, farmers, and a political vision of the country built around land and agriculture. Hamilton represented, broadly, the commercial Northeast: merchants, financiers, and a vision of the country built around trade, manufacturing, and credit. A national bank headquartered in Philadelphia, run by and for merchants and financiers, benefited Hamilton's constituency more directly than Jefferson's — and Jefferson said so. He warned Washington that concentrating financial power in a private corporation tied to the federal government would corrupt the legislature (bank stock would inevitably end up in the hands of members of Congress, giving them a personal financial stake in decisions affecting the bank) and would advantage speculators over farmers.

Washington sided with Hamilton and signed the bill in February 1791. The First Bank of the United States opened in Philadelphia later that year, with branches eventually opening in several other cities. It functioned, by most later historical assessments, competently: it stabilized the young country's currency, served as the government's fiscal agent, and — because it was the largest bank in the country and held large reserves of other banks' notes — it had an informal restraining effect on smaller banks' tendency to over-issue their own currency, since the First Bank could present those notes for redemption in gold or silver and force weaker banks to keep reserves ad-

equate to honor them. In effect, without anyone designing it this way on purpose, the First Bank performed an early, primitive version of what a modern central bank does: disciplining the money supply of the whole banking system, not just its own operations.

That did not save it. Its twenty-year charter was set to expire in 1811, and by then the political tide had turned. Jeffersonian Republicans controlled Congress and the presidency (James Madison was now president), Hamilton was dead — killed in his 1804 duel with Aaron Burr — and the same constitutional and sectional objections that had never gone away carried the day. A bill to renew the charter failed in the House by one vote and was defeated in the Senate by the tie-breaking vote of Vice President George Clinton. The First Bank of the United States closed in 1811, and the United States entered the War of 1812 the following year with no central financial institution at all.

The results were bad enough to change a lot of minds. Without the Bank to help manage government finances, the Treasury struggled to finance the war. State-chartered banks, freed from the First Bank's disciplining presence, multiplied and over-issued their own notes. Many of those banks suspended specie payments — meaning they stopped redeeming their own banknotes for gold or silver on demand — during the war, effectively defaulting on their basic promise to note-holders while continuing to operate. The currency situation by 1814-15 was, by most contemporary accounts, a confusing mess of banknotes of wildly varying and uncertain value, exactly the kind of instability a national bank had existed to prevent.

By 1816, even former opponents of the Bank, including President Madison himself, had concluded the country needed one again. Congress chartered the Second Bank of the United States that year — a decision made not by ideological conversion so much as by five years of experience showing what the alternative actually looked like. The country's first attempt to solve the money problem had been killed on constitutional and sectional

grounds. Its replacement lasted twenty years before it, too, was killed — this time not by a close vote in Congress, but by the deliberate, personal campaign of a president.

Chapter 3: The Second Bank and the Bank War

The Second Bank of the United States was, on paper, bigger and stronger than the first: capitalized at \$35 million against the First Bank's \$10 million, with the federal government again holding a 20 percent stake, headquartered in Philadelphia, and eventually operating around two dozen branches around the country. Its early years were rocky — poor management contributed to the Panic of 1819, one of the young nation's first serious financial crises, and the Bank's aggressive foreclosure practices during the ensuing contraction made it deeply unpopular in the states and territories hit hardest, especially in the South and West.

Its fortunes changed in 1823, when Nicholas Biddle became its president. Biddle ran the Bank capably by most later economic assessments: he managed the currency conservatively, restrained over-expansion by state banks in the same way the First Bank had, and by the early 1830s the Second Bank was, again, functioning as a *de facto* central bank for a country that had never formally decided it wanted one.

It also had an enemy who wanted it dead, and unlike the diffuse constitutional objections of the 1791 and 1811 fights, this one was personal, political, and eventually absolute. Andrew Jackson, elected president in 1828, distrusted banks and paper money on principle, believed the Second Bank represented exactly the kind of concentrated, unaccountable private financial power the country's populist and agrarian traditions had always warned against, and considered it — not without some justification — a tool that primarily benefited Eastern financiers, foreign investors who held a large share of its stock, and political enemies. Biddle had, in fact, used the Bank's lending power to build political goodwill among members of Congress and the press, a practice that fed directly into Jackson's suspicions and gave his opponents real ammunition when they later investigated it.

The Bank's charter was not set to expire until 1836, but Biddle and the Bank's allies in Congress — led by Henry Clay, Jackson's likely opponent in the upcoming 1832 election — made a strategic decision to push for early recharter in 1832, betting that Jackson would not dare veto a popular institution in an election year. They lost the bet badly. Jackson vetoed the recharter bill in July 1832 with a message that has remained one of the most quoted documents in the history of American populism, arguing that the Bank concentrated dangerous power in the hands of a moneyed elite, that much of its stock was held by foreigners, and that it operated for the benefit of “the few” at the expense of “the humble members of society — the farmers, mechanics, and laborers.” He won reelection that November by a wide margin, treating the veto as a mandate.

Jackson was not finished. Rather than simply letting the Bank's charter lapse in 1836, he moved in 1833 to strip it of its power years early by ordering the removal of federal government deposits from the Bank and redistributing them to a rotating group of state-chartered banks — quickly nicknamed Jackson's “pet banks” by critics, since the selection was widely seen as rewarding politically loyal state bankers. Two Treasury Secretaries refused to carry out the order and were removed from office in succession before Jackson found one, Roger Taney (later Chief Justice of the Supreme Court), willing to do it. The Senate formally censured Jackson for the maneuver — the only time in American history a president has been censured by the Senate — though the censure was expunged from the record three years later once Jackson's allies controlled the chamber.

The Second Bank limped on as a private, Pennsylvania-chartered institution after its federal charter expired in 1836, collapsed a few years later amid the broader financial turmoil of the period, and Biddle himself was later indicted (though never convicted) on fraud charges related to the Bank's final years. The country's second attempt at a central bank was dead, killed as deliberately and personally as any institution has ever been killed by a sitting

American president, and the United States would not have anything resembling a central bank again for 77 years — not until the Federal Reserve.

What followed those 77 years is the part of the story most modern readers know least, and it is essential to understanding why, by 1907, even people who distrusted concentrated banking power as much as Andrew Jackson had started to conclude that no central management of the currency at all might be worse.

Chapter 4: Free Banking, Wildcat Money, and the Civil War Greenbacks

With no national bank and no federal paper currency, the “Free Banking Era” that followed — roughly 1837 to the Civil War — left the job of creating money almost entirely to individual, state-chartered banks. Under free banking laws adopted by most states during this period, more or less anyone who met minimal capital and collateral requirements (typically depositing state or federal bonds with a state authority) could open a bank and issue their own banknotes, redeemable in theory for gold or silver on demand.

In practice, the system was exactly as unstable as that description suggests. Quality varied enormously. Some free banks were conservatively run and honored their notes reliably. Others were, in the language of the time, “wildcat banks” — a nickname that, according to the most common contemporary explanation, arose because some of these banks deliberately located their redemption offices in remote, hard-to-reach locations (the story goes that literal wildcats were more common than customers in the area), making it difficult for note-holders to actually show up and demand the gold or silver they were owed. Some wildcat operators were outright frauds, issuing far more paper currency than they could ever redeem and vanishing before anyone caught on. At the system’s peak, thousands of different banks were each issuing their own distinct banknotes, of varying and often unknown reliability, and merchants and travelers relied on privately published “bank-note reporters” — essentially catalogs listing which banks’ notes were trustworthy, which traded at a discount, and which were worthless — just to conduct ordinary commerce across state lines.

This was, obviously, an enormously inefficient way to run a national economy, and it was punctuated by serious panics: 1837 (triggered partly by the collapse of speculative land and cotton markets, worsened by the aftermath of the Bank War) and 1857 (triggered by a mix of railroad overexpan-

sion, declining European demand for American grain, and the failure of a major insurance and trust company) both produced widespread bank failures, business collapses, and unemployment, with no central institution able to act as a lender of last resort to stop a panic at a single failing bank from spreading to healthy ones.

The Civil War forced the first major federal intervention into the currency since the Second Bank's death, and it happened for the most practical possible reason: Abraham Lincoln's government needed to pay for a war it could not otherwise afford. In 1862, Congress passed the Legal Tender Act, authorizing the Treasury to issue paper currency — printed with green ink on the back, which is why they were immediately nicknamed “greenbacks” — that was not redeemable in gold or silver on demand but was, by law, legal tender for most debts. This was fiat currency in the most literal sense: money that had value because the government declared it did, backed by nothing but public confidence and the government's taxing power. It worked well enough to help finance the Union war effort, but it also depreciated significantly against gold during the war (a “greenback dollar” traded well below a gold dollar at various points), which is exactly the kind of currency debasement the founding generation had feared and exactly the kind of thing that happens when a government resorts to printing money to pay bills it cannot otherwise cover.

The second, more structurally important Civil War-era reform was the National Banking Acts of 1863 and 1864, championed by Treasury Secretary Salmon P. Chase. These created a new category of federally chartered “national banks,” which could issue a new, uniform national currency — but only up to the value of federal government bonds each bank deposited with the Treasury as collateral. To force the country's chaotic patchwork of state banknotes out of circulation in favor of this new uniform currency, Congress in 1865 imposed a 10 percent tax on state banknotes, which quickly made issuing them unprofitable and effectively ended the state-banknote era.

This was real, substantial progress: for the first time since the Second Bank's death, the country had something resembling a uniform national paper currency, backed by a straightforward, verifiable federal mechanism, rather than the reputation of a random small-town bank that might or might not still exist by the time you tried to spend its notes. It also created a new and, it would turn out, extremely serious problem — one that would take another 48 years, and four more devastating panics, to force a solution.

Chapter 5: The National Banking Era and Its Fatal Flaw

The flaw in the National Banking System was structural, and once you understand it, the entire rest of this book's first act — the panics of the late nineteenth century, and the pressure that eventually produced the Federal Reserve — makes sense.

Because national banknotes could only be issued against a deposit of federal government bonds, the total supply of currency in circulation was tied to the supply of those bonds, not to the actual, day-to-day needs of the economy. Economists call this an “inelastic” currency — one that cannot expand or contract in response to demand. A healthy monetary system needs to be able to do both: farmers and merchants need more currency in circulation at harvest time, when crops are being bought, sold, and shipped across the country, and less at other times of year; businesses need more credit available during periods of expansion and a way to access emergency liquidity during a panic, when everyone wants to convert deposits into cash at once. The National Banking System could do none of this. The money supply was, in effect, frozen at whatever level matched the outstanding supply of eligible federal bonds — a supply that, after the Civil War debt was gradually paid down, was actually shrinking over time even as the American economy and population grew rapidly.

The predictable result was a series of severe, recurring panics, each one following a similar pattern: a period of rapid economic and credit expansion, a triggering shock (often involving railroad finance, since railroads were the dominant, and dominantly over-leveraged, growth industry of the era), a rush by depositors to withdraw cash that the banking system structurally could not supply enough of, and a resulting contraction that took the whole economy down with it.

The Panic of 1873 was triggered by the failure of Jay Cooke & Company, a major investment bank that had overextended itself financing railroad construction (including the Northern Pacific Railway) and collapsed when it could not sell enough bonds to cover its obligations. The failure triggered a stock market panic, forced the New York Stock Exchange to close for ten days — the longest closure in its history to that point — and set off a depression that, by some estimates, lasted longer than the 1930s Depression that would come later, with unemployment estimated as high as 14 percent at its worst and thousands of businesses failing.

The Panic of 1884 was smaller but followed the same script: a sharp economic downturn, combined with the failure of a Wall Street brokerage (Grant & Ward, notoriously co-founded by former President Ulysses S. Grant's son, which collapsed amid fraud) and a related bank failure, triggered a broader loss of confidence and a wave of bank runs concentrated in New York.

The Panic of 1893 was worse. Triggered by a combination of railroad overbuilding, a run on the country's gold reserves (partly driven by fears the government would be forced to abandon the gold standard), and the collapse of the Philadelphia and Reading Railroad, it produced one of the deepest depressions in American history to that point: roughly 500 banks failed, unemployment is estimated to have reached somewhere between 12 and 18 percent nationally, and the crisis directly fueled the era's populist political movements, including William Jennings Bryan's famous 1896 "Cross of Gold" speech attacking the gold standard itself as a tool of Eastern financial interests against ordinary farmers and debtors — a preview of exactly the populist-versus-Wall Street argument that would resurface, seventeen years later, over the founding of the Federal Reserve.

And then came 1907 — the panic that finally broke the political deadlock, because of who it happened to and how it got fixed.

The Panic of 1907 began, almost absurdly, with a failed attempt by a small group of speculators, led by a man named Otto Heinze, to corner the market in United Copper Company stock. The scheme collapsed within days, but it triggered the failure of the brokerage house involved, and suspicion quickly spread — accurately — that a much larger and more prestigious institution, the Knickerbocker Trust Company, one of the largest trust companies in New York, had financial ties to the speculators. A run on Knickerbocker began, the bank failed to meet withdrawal demands and suspended operations within days, and the panic spread rapidly to other trust companies and banks across the city and then the country, exactly as the inelastic National Banking System offered no structural way to stop it.

What actually stopped the Panic of 1907, in the short term, is one of the most consequential and most revealing facts in this entire story: a single private citizen. J.P. Morgan — the most powerful banker in the United States, already in his seventies and semi-retired — personally organized and led the rescue. He convened the heads of New York's major banks and trust companies at his private library on Manhattan's East 36th Street, reviewed the finances of the troubled institutions himself, decided which were salvageable and which were not, and pressured — by some contemporaneous accounts literally locking the doors and refusing to let the assembled bankers leave until they agreed — the healthy banks to contribute to a rescue pool of funds to backstop the weaker ones. He coordinated with Treasury Secretary George Cortelyou, who deposited federal funds into New York banks to add liquidity, and with John D. Rockefeller, who publicly pledged his own fortune to the effort. The combined intervention worked. The panic subsided within weeks.

It also worked precisely because one enormously wealthy, well-connected private individual happened to be willing and able to do it — and this is the fact that finally moved Congress to act. The country's financial system, prominent voices in Washington and on Wall Street alike now agreed, could not continue to depend on the personal discretion of J.P. Morgan or anyone

else's private goodwill to survive its next panic. Morgan himself was already an old man. There was no guarantee anyone comparable would be available, or willing, the next time.

This is the moment — not before it, and this book will show you exactly how much difference three years makes — when the modern Federal Reserve System became not just possible, but for many people across the political spectrum, urgently necessary. The question that had gone unanswered since Andrew Jackson killed the Second Bank in 1832 was no longer whether the country needed some institution to manage its money and stand behind its banks in a crisis. Nearly everyone now agreed it did. The question that remained — and the question that would be fought over in near-total secrecy, then in the full glare of a presidential election, then in the closed-door conference rooms of Congress — was who would control it, and in whose interest it would actually be run.

Chapter 6: Jefferson's Warning

No figure from the founding generation is quoted more often, or less accurately, in books about the Federal Reserve than Thomas Jefferson. This chapter tells you exactly what he really said, exactly what was invented and put in his mouth a century later, and exactly which parts of his warning came true.

Start with what is genuine, because it is damning enough on its own and it does not need help from a fabricator.

In a letter to Virginia congressman John Wayles Eppes on June 24, 1813, Jefferson wrote that “bank-paper must be suppressed, and the circulating medium must be restored to the nation, to whom it belongs.” This was Jefferson’s core lifelong conviction about money in five words: the power to create currency is a public power, and every time it drifts into private hands, the nation has lost something it is owed.

Three years later, in a letter to John Taylor of Caroline on May 28, 1816, he went further, tying the danger of banks directly to the danger of government debt: he believed “banking establishments are more dangerous than standing armies,” and that “the principle of spending money to be paid by posterity, under the name of funding, is but swindling futurity on a large scale.” Both letters survive. Both are archived and verifiable through the standard scholarly editions of Jefferson’s papers. Neither one is in dispute.

Put the two together and you have Jefferson’s actual position, in his actual words: private control over currency, and public debt run up to be paid by people not yet born, were the two mechanisms by which a free citizenry could be quietly turned into something less than free — not by an invading army, but by its own financial arrangements.

This is also, not coincidentally, exactly the argument he had already made formally to President Washington twenty-five years earlier. In his February 15, 1791 written opinion to Washington on the constitutionality of Hamilton's proposed Bank of the United States — a document every law student in America still reads — Jefferson warned that stretching the Constitution's "necessary and proper" clause to justify a bank would hand Congress an unlimited license: "To take a single step beyond the boundaries thus specially drawn around the powers of Congress," he wrote, "is to take possession of a boundless field of power, no longer susceptible of any definition." A bank was the test case. The principle at stake, in his view, was whether the federal government had any limits at all.

Now for what is fake.

Sometime around 1933 — during the Depression, more than a century after Jefferson's death in 1826, and during exactly the period when Americans were most receptive to believing bankers had engineered their own ruin — a new passage began circulating, attached to Jefferson's name, that he never wrote and that does not appear anywhere in his surviving papers: "If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around them will deprive the people of all property until their children wake up homeless on the continent their fathers conquered." Researchers at Jefferson's home, Monticello, who maintain the definitive archive of his actual correspondence, have traced this line and found no source for it earlier than the 1930s — decades after his death — and have flagged it as spurious for another reason that is almost funny once you notice it: the passage uses "inflation" and "deflation" as paired technical terms in a way that did not enter common economic usage until well after Jefferson's lifetime. He could not have written a sentence using economic vocabulary that did not yet exist.

A related line — “the issuing power should be taken from the banks and restored to the people, to whom it properly belongs” — is not from Jefferson at all in that form. It appears to be a garbled paraphrase of the real 1813 Eppes letter quoted above, which says something similar but not identical, and does not use the phrase “issuing power.”

This matters for a reason bigger than getting one dead president’s words right. The fabricated version is more dramatic, more apocalyptic, and more quotable than anything Jefferson actually wrote — homeless children on a conquered continent is a better slogan than “the circulating medium must be restored to the nation.” That is exactly why it was manufactured, and exactly why it spread: it says what people already wanted Jefferson to have said, more vividly than he ever said it. The authentic Jefferson is more careful, more legalistic, and, this book will argue, ultimately more useful, because you can actually check it — and once you do, you find a real warning that tracks remarkably well onto what actually happened.

So: what actually happened?

Some of it tracks closely. Jefferson’s specific worry that bank stock would corrupt the legislature — giving members of Congress a personal financial stake in a bank’s decisions — was not paranoia. It was Nicholas Biddle’s actual, documented operating strategy at the Second Bank of the United States a generation later: extending credit and patronage to friendly newspapers and sympathetic members of Congress, building a network of financial obligation that Andrew Jackson’s 1832 veto message denounced in almost Jeffersonian language, warning that the Bank’s stock and profits were concentrated among a small number of citizens, many of them foreign, at the expense of “the humble members of society.” Jefferson predicted the mechanism. Biddle supplied a real-world demonstration of it twenty years later.

Some of it tracks even further forward, all the way to the subject of this book. When a small group of the country's most powerful private bankers gathered in total secrecy on Jekyll Island in 1910 to draft the plan that became the Federal Reserve System — the subject of the next several chapters — they were doing, almost to the letter, the thing Jefferson had warned about in 1813: a handful of private financial interests writing the rules for who gets to control the nation's money, before the public had any say in the matter at all. You do not need the fake quote to make that point. The real history makes it for you.

And some of Jefferson's fears did not track cleanly at all, or track in ways more complicated than either his admirers or the people forging quotations in his name would like. The men who wrote the Federal Reserve Act were not able to simply hand permanent, unaccountable control of the currency to private banks — because the very Jeffersonian and Jacksonian political tradition Jefferson had helped found was still alive and powerful in 1913, and it fought back. William Jennings Bryan, the most important Democratic populist of his generation and Woodrow Wilson's Secretary of State, spent decades building a political career on almost exactly Jefferson's argument: that concentrated Eastern financial power was a standing threat to ordinary farmers and workers, and that the government, not private bankers, had to hold the "issuing power" Jefferson wrote about to Eppes. When the Aldrich Plan — the bankers' first draft, written at Jekyll Island — reached Congress, it was Bryan's wing of the Democratic Party, invoking this exact century-old tradition, that forced it to be rewritten so that a public body of federal officers, not a board of financiers, would sit at the top of the new system. That fight, and exactly how much of it the populists actually won, is the subject of Chapter 9.

Here is the honest, complete answer to what this chapter promised: Jefferson predicted that private control over money and public debt spent by "posterity" would erode American freedom. He was right that the danger was real, and the mechanism he named — private financial interests shaping

the rules of money creation in their own favor — is exactly what a group of bankers tried to do in 1910. He did not predict a specific apocalypse of homeless children, because he never wrote those words; someone else did, in 1933, and gave him credit for it. And the system that actually emerged in 1913 was neither the pure private capture Jefferson feared nor the pure public control he might have preferred, but the messy, contested compromise this book spends the rest of its pages explaining — one where his warning was taken seriously enough to change the outcome, but not seriously enough to prevent the fight from needing to happen at all.

That fight is the subject of Part Two.

PART TWO: THE FOUNDING

Chapter 7: The Commission That Studied Everything and Decided Nothing in Public

Congress's first response to the Panic of 1907 was a stopgap, passed while the panic was still a fresh memory: the Aldrich-Vreeland Act of 1908, sponsored by Senator Nelson Aldrich of Rhode Island and Representative Edward Vreeland of New York. Its immediate purpose was narrow — it let groups of national banks form emergency associations that could issue additional currency, backed by a wider range of collateral than usual, during exactly the kind of liquidity crunch that had just occurred. This emergency provision was, by design, temporary, and it expired in 1915.

The Act's more consequential provision was almost a footnote by comparison: it created the National Monetary Commission, an eighteen-member body of senators and representatives, chaired by Aldrich, charged with studying the American banking system's flaws and the banking systems of other major economies, and recommending permanent reform.

Aldrich was, by 1908, one of the most powerful men in the Senate and one of the most connected to Wall Street of any figure in American political life — his daughter Abby had married John D. Rockefeller Jr. in 1901, making Aldrich the grandfather of the future Governor and Vice President Nelson Rockefeller and giving him a direct family tie to the country's wealthiest industrial dynasty. He was not a neutral figure selected to referee a dispute between finance and the public. He was one of finance's most effective advocates in the entire federal government, now placed in charge of designing that same finance industry's future regulator.

The Commission spent roughly two years and, by contemporary accounting, several hundred thousand dollars of public money on its work. Its staff, led by the Harvard economist and Assistant Treasury Secretary A. Piatt Andrew, produced dozens of published volumes comparing central banking

systems abroad — the Bank of England, the German Reichsbank, the Bank of France — along with historical studies of American banking crises. Some of this research remains genuinely valuable and is still cited by economic historians today. It was a real, serious, largely public research effort.

It was also, in the end, mostly beside the point. The actual plan that emerged from the National Monetary Commission was not drafted in a public hearing, was not voted on by the Commission's eighteen members, and did not come out of the published research volumes at all. It was written, from scratch, by a much smaller group Aldrich hand-picked himself, in a location and under circumstances he went to considerable lengths to keep secret — and it is that meeting, not the two years of Commission hearings that preceded it, that historians and the Federal Reserve's own archivists now identify as the real origin point of the modern Federal Reserve System.

Chapter 8: Jekyll Island — The Duck Hunt That Wasn't

In the last third of November 1910, a small group of men gathered at a rail terminal in Hoboken, New Jersey, and boarded a private railcar attached to a southbound train. According to the accounts of the men who were there, they arrived separately and staggered their arrivals to avoid being seen together. The cover story, given to any reporter who might have asked, was that they were going duck hunting.

They were not going duck hunting, or at least not primarily. Their destination was Jekyll Island, a private resort off the coast of Georgia whose exclusive membership club counted several of the men's own employers and social circle among its members — by some accounts, the group that owned the island's club at the time controlled a very large share of the world's wealth between them. It was, in November, closed to its normal membership and effectively empty, which made it an ideal place to disappear.

Who was actually there is, itself, a small case study in how historical claims should be handled — and the Federal Reserve's own official historians are unusually candid about it. The core group, confirmed by the Fed's own historical archive, was:

- **Nelson Aldrich**, chairman of the Senate Finance Committee and the National Monetary Commission — the organizer and host.
- **A. Piatt Andrew**, Assistant Secretary of the Treasury and the Commission's chief economist — a sitting federal official, present for a private planning session with the bankers his own commission was nominally investigating.
- **Henry P. Davison**, senior partner at J.P. Morgan & Co. — representing the most powerful private banking house in the country.

- **Frank A. Vanderlip**, president of the National City Bank of New York — the largest bank in the country at the time, closely tied to the Rockefeller family’s business interests.
- **Paul M. Warburg**, a partner at the investment bank Kuhn, Loeb & Co. — a German-born banker who had immigrated to the United States in 1902 and had spent years publicly advocating for American adoption of a European-style central bank, making him, by most accounts, the group’s leading technical expert on how such a system should actually function.
- **Arthur Shelton**, Aldrich’s private secretary, who came along in a support capacity.

Some other retellings of this story — including several widely read books written from a critical or conspiratorial perspective — also place Charles D. Norton, president of the First National Bank of New York, and Benjamin Strong, a rising executive at Bankers Trust Company who would go on to become the first and most powerful governor of the Federal Reserve Bank of New York, at Jekyll Island that week. The Federal Reserve’s own official historical essay on the meeting is more cautious: it notes that Strong’s presence is “debated by scholars” and does not include Norton in its confirmed list at all. This book follows the more cautious, better-sourced version rather than the more dramatic one, because getting the guest list slightly wrong is a small error with an easy fix, and books about this subject rarely bother to make the fix.

The secrecy the group maintained is not a later exaggeration; it is well documented in the participants’ own later accounts. They addressed each other only by first names for the entire trip — Vanderlip later described the group jokingly calling itself the “First Name Club” — specifically so that hotel staff and railway porters, several of whom might have recognized surnames like Aldrich, Morgan, or Warburg from the newspapers, would have no idea who they were actually serving. Vanderlip himself later wrote one of

the most quoted lines to come out of this whole story, and unlike the fabricated quotations this book flags elsewhere, this one is genuinely his: “We had disappeared from the world onto a deserted island. We put in the most intense period of work that I have ever had.”

They stayed roughly ten days. What they produced was a detailed plan for a new American financial institution, which they called the National Reserve Association — a name deliberately chosen, by the participants’ own later admission, to avoid the politically toxic word “central bank,” which still carried the memory of Andrew Jackson’s war against the Second Bank eighty years earlier. The plan called for a Washington-based governing board, but with the real operational power and voting control resting overwhelmingly with the private banks that would be members of the new system, organized through fifteen regional branches. It was, in short, a central bank designed by bankers, for a banking industry that had just spent three years watching the National Monetary Commission publicly deliberate about reforming it.

The secrecy held for a remarkably long time. A financial journalist named B.C. Forbes — later the founder of Forbes magazine — published an account of the meeting in 1916, but it was widely dismissed as implausible; the idea that a sitting U.S. senator and the country’s most powerful bankers had secretly designed the nation’s monetary system on a private island simply sounded too outlandish to credit. The full story was not publicly confirmed for roughly twenty years, until Aldrich’s own 1930 biography, written by the historian Nathaniel Wright Stephenson, described the trip in detail. By then Aldrich was dead — he had died in 1915 — and the institution his secret meeting had helped design was already sixteen years old.

It is worth sitting with exactly what did and did not happen here, because both halves matter. What did not happen is any of the things the most extreme conspiracy versions of this story claim: there is no credible evidence that any European banking dynasty was present, directing the meeting, or

had any role in it at all, a point the next chapter addresses directly. What did happen, confirmed by the Federal Reserve's own historians, is still remarkable: a sitting United States senator who chaired the official, publicly funded commission charged with designing banking reform quietly convened a private meeting of the industry's own most powerful figures, hid their identities from the staff serving them, and let them write the actual first draft of the plan that would eventually reorganize the entire American financial system — before a single member of the public, or the other seventeen members of his own commission, ever saw it.

Chapter 9: The Aldrich Plan and the Money Trust

The National Monetary Commission published the Jekyll Island group's work in January 1911 as the "Aldrich Plan," and it landed in a political environment that had grown increasingly hostile to exactly the kind of concentrated financial power the plan's own authors represented.

That hostility had a name, a face, and by 1912 an official congressional investigation: the "Money Trust." The House Committee on Banking and Currency formed a special subcommittee, chaired by Louisiana Representative Arsène Pujo, to investigate a suspicion that had been building for years — that a small, interconnected group of New York bankers, through interlocking seats on each other's boards of directors, exercised effective control over a dramatically outsized share of the nation's banking, insurance, and industrial capital.

The Pujo Committee's chief counsel, the prominent attorney Samuel Untermyer, spent months in 1912 and early 1913 questioning the country's most powerful financiers under oath, including an extended, closely followed appearance by J.P. Morgan himself, then in his seventies and less than a year from his own death. The committee's final report, issued in February 1913, concluded that a strikingly small number of men — the report's own tally centered on Morgan and his partners, James Stillman of National City Bank, and George F. Baker of First National Bank — sat, in combination, on the boards of dozens of major banks, insurance companies, railroads, and industrial corporations, giving them what the report described as effective control over financial resources estimated in the tens of billions of dollars, an almost incomprehensibly large concentration of economic power for the time.

The political timing could not have been worse for Aldrich's plan, and the connection was not incidental. The Pujo Committee was, in effect, sim-

ultaneously investigating and cross-examining several of the same interests — the Morgan bank, National City Bank — whose senior partners had personally written the Aldrich Plan in secret two years earlier. To a Congress and a public already primed by the Pujo hearings to see Wall Street concentration as a genuine national danger, a currency-reform bill drafted at a secret meeting of Wall Street's own most powerful figures looked less like a technical fix and more like the Money Trust simply writing itself a permanent charter.

The Aldrich Plan, as originally written, never came close to passing. Its association with the bankers who wrote it, its timing alongside the Pujo Committee's revelations, and a decisive change in the political weather in the 1912 election together ensured that whatever became law would look substantially different from what six men had drafted at Jekyll Island.

Chapter 10: Rewriting Aldrich — Wilson, Glass, Owen, and Bryan’s Populists

Woodrow Wilson’s election in November 1912, alongside Democratic majorities in both the House and Senate, put control of banking reform in the hands of a party whose most important activist wing had spent a generation building its identity around exactly the argument this book has traced back to Thomas Jefferson: that concentrated financial power in private hands was a direct threat to ordinary farmers, workers, and small businesses.

That wing’s leading figure was William Jennings Bryan — three-time Democratic presidential nominee, now Wilson’s Secretary of State, and the single most important voice for agrarian populism in American politics for over two decades. Bryan and his allies made clear, in terms Wilson could not ignore, that they would not support any currency bill that handed effective control over the new system to the banking industry itself. For Bryan’s wing, the “issuing power” over the nation’s currency — the same phrase, and the same principle, this book traced back to Jefferson’s 1813 letter to John Wayles Eppes — belonged to the public, exercised through accountable government officials, not to a board of private financiers.

Wilson assigned the task of writing an actual bill to Representative Carter Glass of Virginia, chairman of the House Banking and Currency Committee, working with the economist H. Parker Willis as his chief technical advisor. In the Senate, Robert Latham Owen of Oklahoma, the first chairman of the newly created Senate Banking Committee, sponsored the companion legislation — which is why the Federal Reserve Act is still sometimes called, in its original form, the Glass-Owen Act.

What Glass, Owen, and Wilson produced was not a rejection of the Aldrich Plan’s basic architecture so much as a deliberate, carefully negotiated dilution of it. The regional structure survived — the new law created twelve

Federal Reserve Banks rather than Aldrich's fifteen branches, each serving a defined district, each capitalized by requiring the commercial banks in that district to become "member banks" and subscribe capital stock in their regional Reserve Bank equal to a set percentage of their own capital. That part of the system remained, structurally, exactly what the Jekyll Island group had designed: a series of banks owned by banks.

What changed, and changed specifically because of Bryan's pressure, was what sat on top of that structure. Rather than a board dominated by the banking industry, as Aldrich's plan had proposed, the final bill created a Federal Reserve Board seated in Washington, D.C., whose members would be appointed by the President of the United States and confirmed by the Senate — federal officers, in the fullest legal sense, with fixed terms designed to outlast any single president's administration. To further reassure Bryan's wing that the executive branch, not Wall Street, held real authority over the new system, the original Board also included two *ex officio* members by statute: the Secretary of the Treasury and the Comptroller of the Currency, sitting as full voting members alongside the presidentially appointed governors. This dual arrangement — a public board with real federal officers exercising real authority, sitting above a regional system that remained, in its financing and much of its daily operation, owned and run by private banks — is the single most important compromise in this entire story, and nearly everything confusing or contested about the Federal Reserve's true nature, discussed in Part Three, traces back to it.

It was, like most legislative compromises, unsatisfying to the people who cared most. Bankers, including several of the men who had written the original Aldrich Plan, complained that a Washington board of political appointees would be dangerously unaccountable to the technical realities of banking and vulnerable to political pressure — a complaint history would eventually vindicate more than once, as later chapters on the 1970s and the 2020s will show. Bryan's most committed populist allies, for their part, felt the bill did not go far enough — that leaving the twelve regional Reserve

Banks themselves in the ownership and operational control of their own member banks left exactly the private, self-interested control over the nation's credit that Jefferson, Jackson, and Bryan's own career had all warned against, merely with a public board bolted on top as a supervisory check rather than a genuine transfer of the "issuing power" to full public control.

Both complaints were, in their own way, correct, and both have remained live for over a century. The Federal Reserve that emerged from this fight was not the bankers' institution Aldrich's group had designed at Jekyll Island. It was also not the fully public institution Bryan's populists wanted. It was a hybrid, built by people who distrusted each other, none of whom got to write the final draft alone — which is a much less thrilling story than either "the bankers secretly seized control of America's money" or "the government nobly protected the people from Wall Street," and is also, as far as the documented record shows, the true one.

Chapter 11: December 23, 1913

The House passed its version of the bill on September 18, 1913, by a lopsided vote of 287 to 85. The Senate passed its own version on December 18 by a narrower 54 to 34. A conference committee spent the following days reconciling differences between the two chambers' bills, and both chambers voted on the final, reconciled conference report within a day of each other: the House approved it 298 to 60 on December 22, and the Senate approved it 43 to 25 on December 23. Woodrow Wilson signed the Federal Reserve Act into law that same afternoon, December 23, 1913, using four pens so that four different individuals — including Glass, Owen, and members of Wilson's own family — could each keep one as a memento.

A version of this story that circulates constantly in books critical of the Fed claims the bill was rushed through a nearly empty Congress on the eve of Christmas specifically so that most members would be away and unable to object. The real roll call numbers do not support that claim particularly well. Three hundred and fifty-eight of the House's 435 members are recorded voting on the December 22 conference report, and sixty-eight of the Senate's 96 members voted on December 23 — turnout lower than September's House vote, and almost certainly affected by members who had already left for the holidays, but nowhere close to the empty chamber the legend describes. The bill's timing is more mundane than sinister: Congress was simply trying, as legislatures often do, to finish a year-long piece of business before adjourning for the holiday recess, after a genuinely contentious and thoroughly public debate that had run for most of 1913 and had been building since the Aldrich Plan's release in January 1911. It was not secret. It was, if anything, one of the most extensively debated pieces of legislation of Wilson's first term. The part of this story that was secret had already happened three years earlier, on an island off the coast of Georgia, not on the floor of Congress in December 1913.

What the Act actually created, stripped of both the mythology and the technical jargon, was this: twelve regional Federal Reserve Banks, each owned by the commercial banks in its district that were required or chose to become “member banks” and hold stock in their regional Reserve Bank (receiving, in exchange, a statutory dividend — originally capped at 6 percent — but no ability to sell, trade, or pledge that stock, and no proportional control over the system’s decisions based on how much stock they held); a Federal Reserve Board in Washington, composed of presidentially appointed, Senate-confirmed governors serving fixed terms, plus the Treasury Secretary and Comptroller of the Currency serving as *ex officio* members; and a mandate to provide an “elastic currency” that could expand and contract with the economy’s actual needs — solving, at least in principle, the exact structural flaw in the old National Banking System that this book traced through five decades of recurring panics in Part One.

It went into operation less than a year later. The twelve regional Reserve Banks opened for business on November 16, 1914. The institution Nelson Aldrich had secretly commissioned in 1910, Wall Street had drafted, Bryan’s populists had fought to constrain, and Congress had debated for most of three years, was now, for better and for worse, real.

Chapter 12: Who Really Founded the Fed — Debunking the Myths

This chapter exists because the true story told in the last five chapters has spent over a hundred years competing with a false one — and the false one is not a harmless exaggeration. In its most common form, it is a repackaged piece of antisemitic propaganda, and this book will not describe it without naming that plainly.

The claim, in its most widespread modern version, holds that the Federal Reserve was secretly created by a cabal of European “international bankers” — usually naming the Rothschild banking family specifically — often explicitly or thinly-veiledly identified as part of a Jewish conspiracy for global financial control. Variations of this claim appear across an enormous range of self-published and independently distributed books, websites, and videos, and it is, at this point, probably the single most repeated claim about the Federal Reserve’s origins in existence outside of academic and mainstream historical writing.

It is false, and its falseness is not really in doubt. No credible historian — including historians deeply critical of the Federal Reserve on other grounds — has found any documentary evidence that the Rothschild family, or any other specific European banking dynasty, had any role whatsoever in the National Monetary Commission, the Jekyll Island meeting, the drafting of the Aldrich Plan, or the passage of the Federal Reserve Act. The documented Jekyll Island attendees, laid out in full in Chapter 8, were Nelson Aldrich (a Republican U.S. senator from Rhode Island, and by ancestry and religion a mainstream white Protestant American of exactly the social type most conspiracy literature imagines as the story’s victim, not its villain), A. Piatt Andrew (a Treasury official and former Harvard professor), Henry Davison and Frank Vanderlip (both Protestant American bankers with no connection to any European banking family), and Paul Warburg — a real

person, a German-Jewish immigrant, and a partner at the American investment bank Kuhn, Loeb & Co., which had historical ties to German-Jewish banking circles but was an independent American firm with no ownership connection to the Rothschilds or any other European dynasty.

Warburg's presence, and his Jewish and German background, is the entire evidentiary basis on which a hundred years of "international banker" conspiracy literature has built its case — and that is worth stating explicitly, because the underlying move is worth being able to recognize. Five or six men met at Jekyll Island. Five of them were white American Protestants tied to Wall Street's most powerful institutions. One of them was a Jewish immigrant. The conspiracy version of this story does not explain why the five Protestant Wall Street insiders are incidental to the story while the one Jewish immigrant is the hidden hand behind it. It simply asserts it, because the entire underlying premise — that Jewish involvement in a financial institution is evidence of ethnic conspiracy rather than evidence of a Jewish person working in finance — is not a historical argument at all. It is the oldest and most recognizable structure of antisemitic conspiracy theory, applied to a new institution.

That structure has a specific, traceable lineage in this particular case, and readers of Fed-conspiracy literature deserve to know it. One of the most frequently reprinted sources for the "international bankers" version of this story is a 1952 book called *Secrets of the Federal Reserve*, by Eustace Mullins. Mullins himself stated, on the record, more than once across his life, that he wrote the book at the direction of the poet Ezra Pound — who gave Mullins the assignment while confined at St. Elizabeths psychiatric hospital in Washington, D.C., where Pound had been committed after being indicted for treason for his pro-Axis propaganda broadcasts from fascist Italy during the Second World War. Mullins went on, in his later life and writing, to become an open Holocaust denier and self-described antisemite, associated with Holocaust-denial organizations, a matter of public record through his own interviews and publications, not a smear applied to him by

critics. A book commissioned by a Mussolini propagandist and written by a man who spent his later career denying the Holocaust is not a hidden gem of suppressed research. It is exactly what it looks like, and its enduring popularity in Federal Reserve conspiracy circles a century after Jekyll Island says something troubling about how well that specific piece of propaganda has laundered itself into “just asking questions about banking.”

There is also a persistent, related myth worth debunking on pure mechanics, without any reference to who supposedly benefits from it: the claim that the Federal Reserve’s regional Reserve Banks are secretly owned by wealthy foreign families who profit from the arrangement. The actual ownership structure is a matter of public statute, not secrecy. Under the Federal Reserve Act, stock in each of the twelve regional Reserve Banks may only be held by the commercial banks that are members of that specific Reserve Bank’s district — domestic, chartered financial institutions, not individuals, families, or foreign entities of any kind. That stock cannot legally be sold, traded, or used as loan collateral, and pays a dividend fixed by statute, not a market-driven return. A large regional bank does not get proportionally more control over Federal Reserve policy by owning more stock; several important system decisions, including the selection of certain classes of regional Reserve Bank directors, are structured to give member banks of different sizes a comparable voice rather than a purely capital-weighted one. None of this describes a system any private family — Rothschild or otherwise — could “own” in the way the conspiracy version imagines, because the law does not permit the kind of ownership the theory requires.

Finally, the most famous single quotation in this entire genre — a supposed statement by Woodrow Wilson expressing horror at what he had done, beginning with the words “I am a most unhappy man. I have unwittingly ruined my country” — is not verified in any primary source. Researchers who have traced the quote’s history have found no appearance of it anywhere close to Wilson’s lifetime; it appears to surface first in a 1967 book by Curtis Dall, decades after Wilson’s death in 1924, with no earlier citation

anyone has been able to locate despite extensive searching, including of the specific government document some versions cite as its source. Wilson did write something real and considerably more interesting, in his own 1913 book *The New Freedom*, compiled from his presidential campaign speeches — before he took office and before the Federal Reserve existed, aimed at the broader problem of concentrated Wall Street power the Pujo Committee was investigating at the same time: “A great industrial nation is controlled by its system of credit... we have come to be one of the worst ruled, one of the most completely controlled and dominated governments in the civilized world — no longer a government by free opinion, no longer a government by conviction and the vote of the majority, but a government by the opinion and the duress of small groups of dominant men.” That is a genuine, damning, verifiable Wilson quotation about the danger of concentrated financial power. It simply is not a quotation about regretting the Federal Reserve specifically, because Wilson said it before the Federal Reserve existed, as an argument for the kind of reform his own administration would go on to sign into law that December.

None of this — not the debunked Rothschild claim, not the fabricated Wilson quote, not the antisemitic pedigree of *Secrets of the Federal Reserve* — means the real story is boring, or that there is nothing to criticize. The real story, again: a U.S. senator with direct family ties to the Rockefeller fortune secretly convened the country’s most powerful bankers on a private island to draft the plan for a new financial system, and the only reason that plan did not become law exactly as written is that a populist political movement, invoking a century-old Jeffersonian argument, forced Congress to bolt public, federally accountable control on top of it. That is a real, documented story about self-interest, secrecy, and a hard-fought compromise. It does not need Rothschilds, and it should not be told using them.

Chapter 13: The First Years — Warburg on the Board, and a War to Finance

Woodrow Wilson's appointments to the first Federal Reserve Board, announced in 1914, produced one of the more quietly remarkable ironies in this entire story: he appointed Paul Warburg — the Kuhn, Loeb partner who had spent ten days at Jekyll Island helping design the system's original blueprint, and who had spent years before that publicly campaigning for American central banking reform — as one of the first members of the very Board created to supervise it. Warburg served a full term, from 1914 to 1918, at the heart of the institution he had helped invent, before wartime anti-German sentiment (Warburg's brother, Max Warburg, was a prominent banker in Germany itself, and served as an advisor to the German government during the war) made his position politically untenable and he chose not to seek re-appointment.

Benjamin Strong — whose presence at Jekyll Island four years earlier remains, as Chapter 8 noted, disputed among historians — took no such risk with ambiguity about his role going forward. In 1914 he became the first governor of the Federal Reserve Bank of New York, and for the next decade and a half, until his death in 1928, he was by most historians' assessment the single most powerful individual in the entire Federal Reserve System — more influential in practice than the nominal chairs of the Washington-based Board, because New York was where the System's actual open-market operations and international relationships were concentrated. The imbalance this created, and what it helped produce in the 1920s, is the subject of Part Four.

The System's first major test arrived almost immediately, and it was not a domestic banking panic but a world war. The United States entered the First World War in April 1917, and the Federal Reserve played a central role in financing the war effort — coordinating with the Treasury to help sell Liberty Bonds to the public, expanding the money supply to accommodate

wartime government borrowing, and generally demonstrating, within just three years of opening its doors, one of the recurring patterns that shows up throughout the rest of this book: central banks tend to grow fastest, and take on their most consequential new powers, during wars and national emergencies, when the ordinary political resistance to expanding government financial authority is at its lowest ebb. It would not be the last time. It would not even be close to the last time.

The institution that opened in 1914 bore only a partial resemblance to either the bankers' plan drafted at Jekyll Island or the populists' vision of full public accountability. It was a compromise, built by people who did not trust each other, operating an economy about to be tested by a world war, a decade of speculative excess, and then the worst economic catastrophe in American history. How that institution actually worked — and how it performed under that pressure — is the subject of the rest of this book.

PART THREE: HOW IT ACTUALLY WORKS

Chapter 14: Anatomy of the Fed — Board, Banks, and the Committee That Actually Moves Markets

Most Americans who have an opinion about the Federal Reserve could not accurately describe its org chart, and that gap is not an accident of poor civics education alone — the structure really is unusual, deliberately so, for the reasons Part Two just spent seven chapters explaining. Here is what actually exists, as of 2026, in plain terms.

The Board of Governors sits in Washington, D.C., in the Eccles Building. It has seven members, each nominated by the President of the United States and confirmed by the Senate, each serving a single fourteen-year term, staggered so that one seat becomes vacant roughly every two years — a structure deliberately designed to let a governor’s term outlast any single president’s time in office, insulating the Board from any one administration’s ability to remake it all at once. From among these seven, the President separately designates one governor as Chair and another as Vice Chair, each for a renewable four-year term. Every governor is, without qualification, a federal officer of the United States government. This half of the Federal Reserve System is public in exactly the same sense a federal judge or a cabinet secretary is public.

The twelve regional Federal Reserve Banks — Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco — are a different animal entirely, and this is where the 1913 compromise this book traced in Part Two still shows up in the org chart every single day. Each regional Reserve Bank is a separately incorporated institution whose stock, as Chapter 12 explained, is held exclusively by the commercial banks that are members of its district — stock that cannot be sold, traded, or pledged, paying a dividend fixed by statute rather than the market. Each regional bank has its own nine-member board of directors, split into three classes by original design: three Class A

directors, elected by the district's member banks, representing the banking industry itself; three Class B directors, also elected by member banks but legally barred from being bankers themselves, meant to represent business, agriculture, industry, or consumers; and three Class C directors, appointed directly by the Board of Governors in Washington — not elected by the banks at all — with one of the three designated as that regional bank's chairman. Even at this regional, quasi-private layer, in other words, the law tries to keep bankers from simply running the show for their own benefit, though how well that has worked in practice is a fair subject for debate. Each regional Reserve Bank's president is chosen by that bank's own board of directors, but the choice must be approved by the Board of Governors in Washington, and serves a five-year term.

The Federal Open Market Committee, or FOMC, is where the System's most consequential and most closely watched decisions actually get made, and it is a genuine hybrid of the two halves above. It has twelve voting members: all seven Governors, plus the president of the Federal Reserve Bank of New York — a permanent voting seat, reflecting New York's historic role, dating back to Benjamin Strong in the 1920s, as the System's operational center for financial markets — plus four of the remaining eleven regional bank presidents, who rotate onto the voting committee on a fixed annual schedule. The other regional presidents attend and participate in the discussion whether or not they hold a vote that year. The FOMC meets eight times annually on a published schedule, and can convene additional meetings, often by conference call, during a crisis — as it did repeatedly in 2008 and again in 2020. It is this committee, not the Board of Governors alone and not any single regional bank, that sets the target for the federal funds rate and directs the buying and selling of Treasury securities that implements that target — the actual mechanism, explained in the next chapter, by which the Fed's decisions ripple out into mortgage rates, credit card interest, and the price of nearly everything bought on credit in the United States.

One structural fact is worth sitting with because it resolves a question this book has been building toward since Part Two: who, in the end, actually has the most power inside this system? It is not any individual regional Reserve Bank, whatever their historical prestige. It is not, contrary to a common oversimplification, the bankers who own the regional Reserve Banks' non-voting, non-tradeable stock — they have no seat on the FOMC and no vote on interest rates at all. It is the Chair of the Board of Governors, presiding over a committee where seven of twelve votes already belong to Washington-based, presidentially appointed federal officers, supplemented by regional presidents the Board itself must approve. The 1913 fight Bryan's populists won — a public board with real, accountable federal authority sitting above the private regional structure — is not a historical footnote. It is the reason the single most powerful economic policymaking body in the United States is, in its actual voting majority, a body of federal government appointees, not a board of bankers. That does not make the system simple, or beyond criticism. It does mean the most common one-line claim about it — “the Fed is run by private bankers” — is not an accurate description of where the votes actually sit in 2026.

Chapter 15: How Money Actually Gets Created

The mechanics of Federal Reserve policy have changed more, in the last twenty years, than in the previous ninety combined, and most popular explanations of “how the Fed creates money” — including many still repeated confidently in books and videos about the Fed — describe a system that stopped operating the way they describe it years ago.

The old, pre-2008 mental model, still taught in many introductory economics courses, goes like this: banks must hold a fraction of their deposits in reserve, either as cash in their vaults or as balances held at their regional Federal Reserve Bank; the Fed sets that fraction (the “reserve requirement”); and by adjusting it, along with buying and selling Treasury securities on the open market to add or drain reserves from the banking system, the Fed indirectly steers a benchmark interest rate — the federal funds rate, the rate banks charge each other for overnight loans of reserves — which then ripples outward to every other interest rate in the economy.

Two things have changed since the 2008 financial crisis, and one change since 2020 has made the old textbook model substantially obsolete.

First, since the crisis, the Fed’s own asset purchases — quantitative easing, explained fully below — flooded the banking system with so many reserves that the old method of fine-tuning the fed funds rate by adding or draining small amounts of reserves at the margin stopped working the way it used to; there were simply too many reserves already in the system for small changes to move the rate. The Fed adapted by relying on two newer, more direct tools: interest on reserve balances (paying banks a set rate directly on the reserves they hold at the Fed, which sets a floor under market rates, since no bank will lend reserves overnight for less than it can earn risk-free by simply leaving them at the Fed) and, on the other side, the overnight reverse repurchase agreement facility, which lets an even wider range of finan-

cial institutions, including money market funds, effectively lend cash to the Fed overnight at a set rate, mopping up excess cash and setting a floor from below. The September 2026 policy statement that set the current federal funds target range of 3.75 to 4.00 percent, for exactly this reason, does not talk about reserve requirements at all; it directs the Fed’s trading desk to maintain those two rates and to keep “ample reserves in the banking system” — the Fed’s own current term of art for this entire modern operating framework.

Second, and less widely understood: in March 2020, at the onset of the pandemic, the Federal Reserve reduced the reserve requirement ratio for all transaction deposits to zero percent, where it remains as of 2026. In plain terms, the traditional legal reserve requirement that gives “fractional reserve banking” its name is not currently binding on American banks at all. This is a genuinely underappreciated fact, and it cuts in an interesting direction against a lot of older Fed criticism: banks are not skirting some minimum-reserve rule through clever tricks, because the rule that used to exist simply is not there to skirt. What actually constrains how much banks lend today is a different, arguably tighter set of requirements — capital requirements and liquidity rules tightened substantially after 2008, plus each bank’s own risk management — not the reserve mechanism most popular explanations, including many critical ones, still describe as if it were 2007.

Quantitative easing — the tool that came to define the Fed’s response to both the 2008 crisis and the 2020 pandemic — is best understood as what a central bank does when its ordinary interest-rate tool has already been pushed to its floor near zero and the economy still needs more support. Rather than adjusting a short-term rate, the Fed directly buys large quantities of longer-term Treasury securities and, in 2008-2014 and again in 2020, mortgage-backed securities, paying for them by crediting reserves to the selling banks — in effect, expanding its own balance sheet in exchange for pushing down longer-term borrowing costs (mortgage rates, corporate bond yields) and pumping a large volume of reserves into the banking system dir-

ectly. The scale is worth stating plainly because it is genuinely without precedent in American history: the Fed's balance sheet held under \$1 trillion in assets before the 2008 crisis, grew to roughly \$4.5 trillion through three rounds of QE by 2014-15, and then, in response to the pandemic, grew again to a peak near \$8.9 trillion in 2022 — before the Fed began deliberately shrinking it again, a process called quantitative tightening, by letting securities mature without fully reinvesting the proceeds.

None of this is money creation in the sense the popular phrase “the Fed just prints money” usually implies, and it is also not nothing. The Fed does not run a physical printing press to buy trillions of dollars in bonds; it creates the reserves electronically, as a bookkeeping entry, the moment it settles the purchase. Those new reserves sit inside the banking system and do not automatically turn into cash in anyone's pocket or immediately drive up consumer prices — whether and how quickly they do depends on whether banks actually lend against them and how the wider economy responds, which is precisely why economists spent years arguing, sometimes badly wrongly, about whether post-2008 QE would cause runaway inflation (it did not, at least not on any comparable timeline) and why the much larger, much faster 2020-21 expansion, combined with historic fiscal stimulus and supply-chain disruption, did coincide with the worst inflation in four decades, discussed fully in Part Four. “The Fed can create reserves out of nothing, at will, on a multi-trillion-dollar scale” is a documented, non-conspiratorial, entirely mainstream fact about how this institution works. It just does not work quite the way most popular explanations, on any side of this argument, describe it.

Chapter 16: Is the Fed Private, Public, or Something Else?

This book can now answer the question that has been building since Chapter 12, with the full mechanical detail actually on the table.

The honest answer is: both, in different, specific, legally real ways, and the confusion most people feel about this is not their fault — it is the direct, intended product of a compromise reached over a century ago by people who each wanted a different answer and got neither one cleanly.

The Board of Governors is unambiguously a federal government entity. Its members are nominated by the President, confirmed by the Senate, and are federal officers under the law in every sense that matters — the same sense that makes a federal judge or the Secretary of Defense a government official rather than a private citizen with a fancy title.

The twelve regional Federal Reserve Banks are something else: separately incorporated institutions, capitalized by mandatory, non-tradeable stock held only by their member commercial banks, operating within a framework of federal law and under the Board of Governors' supervision, but not federal agencies in every legal sense. This is not merely a semantic distinction; it has been directly tested in court. In a 1982 case, *Lewis v. United States*, the Ninth Circuit Court of Appeals held that the regional Federal Reserve Banks are not federal agencies for the specific purposes of the Federal Tort Claims Act, reasoning that the individual Reserve Banks are locally controlled corporations, not instrumentalities of the federal government in that particular legal context — meaning a person injured by a regional Reserve Bank's negligence in that case could not sue the U.S. government the way they could sue over an ordinary federal agency's actions. Courts examining other statutes and other questions have sometimes reached different conclusions about the System's public or private character depend-

ing on exactly what is being asked and why. The honest, complete answer to “is the Federal Reserve a government agency” is that it depends on which piece of it, and for which legal purpose, you are asking about — and any book that gives you a single flat yes or no in response is simplifying past the point of accuracy in one direction or the other.

What almost never gets adequately explained, on either side of this argument, is what member banks actually get out of owning this non-tradeable, dividend-capped stock, given that they cannot sell it, cannot leverage it, and do not get proportional voting control over interest rate policy in exchange for it. The honest answer is: comparatively little that resembles a normal investment. It functions less like equity ownership in the profit-maximizing sense most people mean when they hear “owned by the banks,” and more like a mandatory membership fee, paid into a cooperative utility that member banks are legally required to join and that provides them, in exchange, with access to the Fed’s payment-clearing infrastructure, discount-window borrowing in a crisis, and a voice — a real but limited one, confined mostly to Class A director elections at the regional level — in the system’s regional governance. It is a genuinely strange arrangement. It is not, on the actual evidence, a scheme that hands member banks meaningful control over the interest rates that matter most to the economy, because as Chapter 14 showed, that power sits with the FOMC, whose voting majority is Washington-appointed.

Chapter 17: Independence, Profits, and the Audit Fight

The Federal Reserve occupies a specific, unusual place in the federal government's finances that fuels a great deal of the suspicion directed at it, and the actual mechanics are, once again, more interesting than either the Fed's defenders or its critics usually let on.

Unlike almost every other federal agency, the Federal Reserve does not receive an annual appropriation from Congress. It funds its own operations from the interest income earned on the large portfolio of Treasury and mortgage-backed securities it holds, along with fees charged to the banks it supervises, and — this is the part most critics of “secret Fed profits” leave out — it is required by law to remit the great bulk of what it earns beyond its own operating costs directly to the U.S. Treasury every year. In many years over the last two decades, that remittance has run into the tens of billions of dollars, and in some years past one hundred billion dollars — money that reduces the federal deficit dollar-for-dollar, exactly as if it were ordinary tax revenue. This is a real, well-documented, and consistently underreported fact against the specific claim that the Fed quietly enriches private bankers: the profits generated by the Fed's core operations flow overwhelmingly to the federal government, not to the member banks holding its capped, non-tradeable stock.

The last several years have added a genuinely strange wrinkle to this picture that neither the Fed's harshest critics nor its most confident defenders predicted a decade ago. When the Fed raised short-term interest rates sharply beginning in 2022 to fight inflation, it began paying banks and money-market funds a much higher rate on the reserves and reverse-repo balances discussed in Chapter 15 than it was earning on the older, lower-yielding bonds it had purchased during the 2020-21 QE expansion. The result, for the first time in decades, was that the Fed's own operations began

running an accounting loss rather than a profit. A central bank cannot go bankrupt the way a private company can — it settles its own obligations in a currency it has the sole legal authority to create — so rather than reporting a capital shortfall, the Fed’s accountants record the shortfall as a “deferred asset,” an internal bookkeeping placeholder representing profits the Fed will owe the Treasury again once its portfolio’s earnings recover, with no remittances actually flowing to Treasury in the meantime until that deferred balance is paid down. This is a real, current, and largely accurate-neutral fact: it is not evidence the Fed is secretly broke or in crisis, since a central bank’s accounting losses do not work like an ordinary firm’s, but it is also not nothing — it means one of the standard rebuttals to “the Fed secretly enriches bankers,” the annual multi-billion-dollar remittance to Treasury, simply has not been happening in the same way in the several years since rates rose, which is exactly the kind of detail a book aiming for complete honesty should not leave out just because it complicates a tidy talking point.

The “Audit the Fed” movement, most closely associated over the last two decades with former Congressman Ron Paul and his son, Senator Rand Paul, is frequently discussed as though the Fed currently operates with no outside financial oversight at all. That is not accurate, and understanding exactly what is and is not already true is the whole point of the actual policy dispute. The Government Accountability Office already audits the Federal Reserve’s financial statements and general operations every year, and those audits are public. Congress, through the Dodd-Frank Act passed after the 2008 crisis, specifically directed the GAO to conduct a one-time comprehensive audit of the Fed’s emergency lending programs during the financial crisis, and the GAO did so, publishing its results in 2011. That audit’s headline finding — that the Fed’s various emergency facilities extended over \$16 trillion in loans and other assistance between 2007 and 2010 — has circulated for over a decade as proof of an almost unimaginable secret bailout. It is a real number from a real government audit, and it is also, without additional context, seriously misleading: the \$16 trillion figure is a cumulative

sum of overlapping, mostly very short-term loans — many measured in days — that were repeatedly rolled over and counted again each time they were renewed, not \$16 trillion in distinct loans outstanding at any single moment. Independent fact-checking organizations that examined the same underlying GAO data concluded the actual peak amount of Fed emergency lending outstanding at any one time was dramatically smaller than the headline cumulative figure, on the order of one to two trillion dollars rather than sixteen. Both things are true at once: the audit happened, found a real and enormous number, and that number does not mean what its most viral retellings imply.

What existing law still does not permit — and what full “Audit the Fed” legislation has repeatedly, and so far unsuccessfully, tried to change — is GAO review of the Federal Open Market Committee’s actual monetary policy deliberations and decisions themselves, along with certain Fed transactions with foreign governments and central banks, while those decisions are being made. The Fed does eventually disclose this material: meeting minutes are released about three weeks after each FOMC meeting, and full verbatim transcripts are released, by long standing Fed policy, after a five-year delay. The core policy argument, made across a wide range of the political spectrum and not merely by the Fed’s own staff, is that opening real-time monetary policy deliberations to ongoing congressional or GAO scrutiny would functionally end the space in which the Fed can make necessary but politically unpopular decisions — the argument runs that a Fed subject to that kind of real-time political pressure in, say, 1979 or 1980 might never have let Paul Volcker raise interest rates to the punishing levels Chapter 19 describes, because no elected body facing voters in the next cycle would have tolerated deliberately engineering a recession to kill inflation, however necessary economists across the spectrum now generally agree that step turned out to be. The counterargument, made by proponents of full audits, is that an institution with this much unilateral power over the economy should not get to make that trade-off for the public unilaterally and without contemporaneous accountability, whatever the theoretical benefits of insulation

from politics — and that five years is a long time to wait to find out what your central bank was actually thinking when it made a decision affecting your mortgage payment today. Both positions are held in good faith by serious people, this book takes no institutional side between them, and the honest reporting of that disagreement, rather than a manufactured verdict, is the most useful thing a book like this can offer on the question.

PART FOUR: WHAT IT DID TO AMERICA

Chapter 18: “We Did It” — The Fed and the Great Depression

For its first fourteen years, the Federal Reserve did not have a single dominant leader so much as it had Benjamin Strong — governor of the Federal Reserve Bank of New York from the System’s opening in 1914 until his death in 1928, and by the consistent judgment of later historians, the most powerful individual in the entire System during that period, more influential in practice than the nominally superior Board of Governors in Washington, because New York was where the Fed’s actual market operations and international relationships lived.

Strong used that influence, through much of the 1920s, partly in service of an international goal: helping Britain and other European economies return to and maintain the gold standard after the disruptions of the First World War, in close coordination with his counterpart, Bank of England Governor Montagu Norman. Keeping American interest rates relatively low helped that project along by discouraging gold from flowing out of Europe and into higher-yielding American assets. It also had a large, largely unintended domestic side effect: cheap and abundant credit fueled the extraordinary stock market boom of the mid-to-late 1920s, in which investors routinely bought stocks “on margin” — putting down as little as ten percent of a stock’s price in cash and borrowing the rest — a practice that multiplies gains on the way up and multiplies losses catastrophically on the way down.

Strong died in October 1928, a year before the reckoning arrived, leaving the System without its most forceful and internationally connected voice at precisely the moment it would need one most. The stock market crashed in late October 1929 — the “Black Thursday,” “Black Monday,” and “Black Tuesday” crashes of October 24, 28, and 29 wiping out a large share of the paper wealth the decade’s speculation had created.

What happened next is the single most consequential and most thoroughly studied failure in the Federal Reserve's history, and it is not a matter of serious historical dispute: the Fed largely failed to act as a lender of last resort during the wave of bank runs that followed. Rather than lending freely against sound collateral to stop healthy banks from being dragged down by panic — the textbook prescription for a central bank facing exactly this situation, articulated by the British economist Walter Bagehot decades earlier — the Federal Reserve allowed more than nine thousand American banks to fail between 1930 and 1933, and allowed the total money supply to contract by close to a third over the same period. This was not, by the consensus of modern economic historians, primarily a case of a healthy economy being wrecked by outside forces the Fed could do nothing about. It was, in large part, a case of the Fed's own passivity turning a serious recession into the deepest and longest depression in American history.

This conclusion is not merely this book's own judgment, or the judgment of the Federal Reserve's harshest outside critics. It is the judgment of the economists Milton Friedman and Anna Jacobson Schwartz, whose 1963 book *A Monetary History of the United States, 1867–1960* demonstrated the Fed's role in exhaustive statistical detail — and it is the judgment, decades later, of the Federal Reserve itself, delivered in the most direct and specific terms imaginable. On November 8, 2002, Ben Bernanke — then a member of the Federal Reserve's own Board of Governors, six years before he would become its chairman during the next great crisis — spoke at a conference honoring Milton Friedman's ninetieth birthday, and closed his remarks this way: "Let me end my talk by abusing slightly my status as an official representative of the Federal Reserve. I would like to say to Milton and Anna: Regarding the Great Depression. You're right, we did it. We're very sorry. But thanks to you, we won't do it again." A sitting Federal Reserve governor did not merely fail to dispute the charge that his own institution caused the Great Depression. He affirmed it, on the record, in his own words, at a public podium.

A separate and frequently misattributed piece of Depression-era history deserves a direct correction, in keeping with this book's method: the famous, brutal-sounding advice to "liquidate labor, liquidate stocks, liquidate the farmers, liquidate real estate" as the crash unfolded is not a Federal Reserve statement. It is attributed, in Herbert Hoover's own later memoirs, to his Treasury Secretary, Andrew Mellon — a real quote about a real and disastrous school of economic thought current at the time, but a Treasury official's advice to the President, not a Federal Reserve decision, and worth keeping straight simply because getting attributions right is part of what this book is for.

The New Deal era that followed brought the most significant restructuring of American banking since the Federal Reserve's own creation. The Banking Act of 1933 — usually called Glass-Steagall, after the same Carter Glass who had helped write the original Federal Reserve Act twenty years earlier — separated commercial banking from investment banking and created the Federal Deposit Insurance Corporation, insuring ordinary bank deposits against exactly the kind of run that had just destroyed thousands of banks. Franklin Roosevelt's Executive Order 6102, issued in 1933, required Americans to surrender most privately held gold coin and bullion to the government in exchange for paper currency at the official rate, and the Gold Reserve Act of 1934 formally devalued the dollar against gold. The domestic "gold standard," in the sense of ordinary citizens being able to redeem paper currency for gold on demand, effectively ended for Americans in 1933 — a full 38 years before the more famous "Nixon Shock" of 1971 ended the international version of the same arrangement, a distinction the next two chapters will draw out in full.

Chapter 19: Gold, Bretton Woods, and the Illusion of the Anchor

The Federal Reserve that emerged from the Depression era was, structurally, a substantially different institution than the one Congress created in 1913, thanks largely to one man most Americans have never heard of: Marriner Eccles, a Utah banker and businessman who became Chairman of the Federal Reserve Board in 1934 and was the principal architect behind the Banking Act of 1935.

That Act made two changes whose consequences this book has already been relying on throughout Part Three. It removed the Secretary of the Treasury and the Comptroller of the Currency as ex officio, voting members of the Federal Reserve Board — the two seats Bryan’s populists had insisted on back in 1913 specifically to guarantee direct executive-branch representation at the top of the new system. Removing them was framed, and is generally understood by historians, as a move toward greater Fed independence from day-to-day Treasury Department influence, even though it also meant giving up one of the specific safeguards the original populist coalition had fought for. The Act also formally created the modern Federal Open Market Committee and centralized its authority in Washington, ending the era in which the New York Fed, under a figure like Benjamin Strong, could function as the System’s de facto center of gravity independent of the Board.

Independence from Treasury did not survive contact with a second global war for very long, however. During the Second World War and its immediate aftermath, the Federal Reserve subordinated interest-rate policy almost entirely to the Treasury’s wartime and postwar financing needs, effectively capping long-term government bond yields around 2.5 percent to keep the government’s own borrowing costs low while it financed the war and, afterward, the Korean War — a policy economists now call “yield curve control,” decades before that term became fashionable again in discussions of

Japanese and, briefly, pandemic-era American monetary policy. As inflation began rising in the late 1940s and the Fed's leadership increasingly wanted room to raise rates to fight it, a real and serious conflict developed between the Fed and the Truman Treasury, resolved only by the Treasury-Federal Reserve Accord of March 1951 — an agreement, worked out directly between the two institutions, that freed the Fed from its wartime obligation to keep government borrowing costs artificially low and is generally regarded by economic historians as the true founding moment of the modern, independent Federal Reserve's approach to monetary policy, arguably as consequential to how the System actually operates today as either 1913 or 1935, and far less discussed in popular accounts than either.

The other defining feature of the postwar era was international, and it shaped the entire rest of the twentieth century's monetary history: the Bretton Woods system, negotiated among Allied nations in 1944, pegged the value of major foreign currencies to the U.S. dollar, and pegged the dollar itself to gold at a fixed rate of \$35 per ounce — redeemable, crucially, only by foreign governments and central banks, not by ordinary American citizens, who had already lost the general right to hold or redeem gold domestically under the 1933-34 measures described in the previous chapter. This arrangement made the dollar the world's primary reserve currency, a status it has held ever since, and it worked reasonably well for roughly two decades of postwar reconstruction and growth.

It also contained, from very early on, a structural flaw the Belgian-American economist Robert Triffin identified clearly by 1960 and which now bears his name: the "Triffin dilemma." For the rest of the world to have enough dollars to conduct international trade and hold as reserves, the United States needed to run persistent deficits, sending more dollars abroad than it took in. But the more dollars accumulated in foreign hands relative to the fixed quantity of gold in Fort Knox, the less credible it became that the United States could actually honor its \$35-per-ounce promise if every foreign holder tried to redeem at once. By the late 1960s, with the Vietnam War

and Great Society domestic spending both underway without matching tax increases — a combination contemporaries called “guns and butter” — foreign dollar holdings had grown dramatically relative to American gold reserves, and America’s major trading partners, France especially, began openly and pointedly testing the system by converting dollar reserves into gold. The arrangement this book’s title refers to as an “anchor” was already, by 1970, closer to an illusion holding on by growing diplomatic pressure than a genuinely convertible promise. What happened next was not a surprise to anyone paying close attention. It was the subject of a single, deliberately timed weekend address that changed what money in America — and eventually the entire world — actually is, permanently.

Chapter 20: The Nixon Shock, Stagflation, and Volcker's Hammer

On the evening of Sunday, August 15, 1971, President Richard Nixon addressed the nation on television and announced, among other measures, that the United States would suspend the dollar's convertibility into gold — closing what had been called, for decades, the “gold window.” The same address announced a 90-day freeze on wages and prices, an attempt to control the inflation already building in the economy directly rather than through monetary policy; the wage-price controls proved largely unworkable and were phased out over the following two years, but the suspension of gold convertibility was never reversed. It is, functionally, still in effect today, fifty-five years later.

This decision, now generally remembered as the “Nixon Shock,” deserves more weight in the story of how the Federal Reserve changed America than it typically receives, because of what it actually removed: the last formal, external constraint on the American — and by extension, the global — monetary system. Every dollar created before August 1971 existed, at least in theory and at least for foreign governments, within a system where an external, physical commodity ultimately limited how much currency could be created without eventually triggering a redemption crisis. Every dollar created since has existed in a system backed by nothing but confidence in the U.S. government and the Federal Reserve's own credibility. This book does not take a position on whether that change was, on balance, good or bad for the country — reasonable economists across the spectrum disagree, and Part Five presents both cases directly — but it is, without much room for argument, the single most consequential change to the nature of American money in this book's entire 235-year span, and it happened not through a Federal Reserve decision at all, but through a unilateral presiden-

tial announcement on a Sunday evening, ending an international commitment the Fed itself had no power to save.

The 1970s that followed delivered the worst combination of economic pain the postwar United States had yet experienced: “stagflation,” a term coined for exactly this decade, describing the simultaneous arrival of high inflation and high unemployment, a combination the era’s dominant economic theory had confidently predicted could not happen at the same time. Oil price shocks — the 1973 Arab oil embargo and the disruption following Iran’s 1979 revolution — drove much of the inflation directly, but monetary policy played a real and, again, well-documented role of its own. Arthur Burns, Federal Reserve Chairman from 1970 to 1978, faced sustained, direct political pressure from the Nixon White House to keep monetary policy loose heading into the 1972 presidential election — a documented historical finding, established through the Nixon administration’s own released White House tapes and studied in detail by later economic historians, not a matter of speculation. Burns substantially accommodated that pressure. Inflation, already elevated, kept climbing through the rest of the decade and reached roughly 13 to 14 percent by 1980 — a genuine, well-documented case of a president successfully compromising Federal Reserve independence for short-term electoral benefit, at a real long-term cost to the entire country, and a far more solid and important cautionary tale than anything in the conspiracy literature Chapter 12 debunked.

Paul Volcker, appointed Fed Chairman by Jimmy Carter in 1979 specifically to restore the institution’s credibility on inflation, chose to break it through brute force rather than gradual adjustment. He drove the federal funds rate to a peak near 19 to 20 percent in 1981, a level that would have been unthinkable a decade earlier and remains, as of 2026, the highest in the Federal Reserve’s history. The resulting recession — a short downturn in 1980, followed by a deeper one in 1981-82 — pushed unemployment to roughly 10.8 percent by the end of 1982, the worst rate since the Great Depression up to that point. It worked, in the narrow sense economists usually

mean: inflation fell to around 3 percent by 1983, and the credibility Volcker's Fed established arguably underwrote the following two decades of relatively low and stable inflation. It also imposed enormous, concentrated, real human cost on American workers and businesses in the process — laid-off auto and steel workers, farmers foreclosed on as interest rates on their loans followed the funds rate upward, homebuilders who could not sell a house at 18 percent mortgage rates. "Volcker's hammer" is, to this day, the case both the Fed's defenders and its critics reach for first: defenders point to it as proof that real independence lets a central bank make necessary decisions no elected politician could survive making; critics point to it as proof of exactly how much unilateral power over ordinary people's lives that independence actually confers.

Alan Greenspan's unusually long tenure as Fed Chairman, from 1987 to 2006, is remembered for a different pattern: not one dramatic act of discipline, but a series of accommodative rescues that gradually reshaped how financial markets understood the Fed's role. Within days of taking office, Greenspan's Fed responded to the October 19, 1987 stock market crash — the Dow Jones Industrial Average fell 22.6 percent in a single day, still the worst one-day percentage decline in the index's history — with a short public statement affirming the Fed's "readiness to serve as a source of liquidity to support the economic and financial system," widely credited with helping prevent a broader crisis. Greenspan's Fed repeated variations of this pattern after the 1998 collapse of the hedge fund Long-Term Capital Management and again after the 2000-2001 bursting of the dot-com stock bubble. Over time, financial markets began to price in an assumption — nicknamed the "Greenspan put" by traders, borrowing the term for an options contract that protects against losses — that the Fed would reliably step in to cushion falling asset prices, a belief that many economists, not only the Fed's critics, argue encouraged progressively more aggressive risk-taking because investors increasingly believed the downside was covered. The Fed's decision to hold interest rates unusually low, as low as 1 percent, from 2002 through 2004 —

intended to counter the dot-com bust and post-9/11 economic weakness — is now widely cited, including in later self-critical assessments from within the Federal Reserve System itself, as a significant contributing factor to the historic housing bubble of the mid-2000s. That bubble's collapse, and the Fed's unprecedented response to it, is the subject of the next chapter.

Chapter 21: 2008 — Too Big to Fail

The 2008 financial crisis tested the Federal Reserve more severely than any event since the Depression, and the Fed's response, love it or hate it, permanently expanded what Americans understand a central bank to be capable of and willing to do.

The early tremors arrived in 2007 and early 2008 as the mid-2000s housing bubble described in the previous chapter began to unwind, exposing how much of the financial system had become entangled with mortgage-backed securities of rapidly deteriorating quality. In March 2008, the Federal Reserve Bank of New York helped orchestrate the emergency sale of the investment bank Bear Stearns to JPMorgan Chase, providing financing to make the deal possible rather than letting Bear Stearns fail outright — an early sign of how far the Fed was willing to reach beyond its traditional role as lender to ordinary commercial banks. Six months later, on September 15, 2008, the Fed and Treasury allowed a much larger institution, Lehman Brothers, to fail outright and file for bankruptcy — still one of the most contested decisions of the entire crisis. Bernanke, Treasury Secretary Henry Paulson, and New York Fed President Timothy Geithner later maintained that Lehman lacked sufficient collateral to qualify for emergency lending under the Fed's legal authority; many other economists and historians have argued, and continue to argue, that this legal explanation understates a genuine policy judgment at the time that a major institution needed to be allowed to fail to demonstrate the system had limits — a judgment the market's catastrophic reaction to Lehman's collapse arguably discredited within days, when the government reversed course entirely and orchestrated an \$182 billion rescue of the insurance giant AIG rather than risk a repeat.

Congress, separately, passed the \$700 billion Troubled Asset Relief Program in October 2008 — a Treasury Department program, authorized and funded by Congress, distinct from the Federal Reserve itself even though the

two are frequently and understandably conflated in popular accounts of “the bailouts.” The Fed’s own response ran on a parallel track: it cut the federal funds rate to a range of zero to 0.25 percent by December 2008 — the first time in its history at the zero bound — and, starting that November, launched the first round of quantitative easing described in Chapter 15, eventually followed by two more rounds (QE2 in 2010-11, and an open-ended “QE3” from 2012 to 2014 that markets nicknamed “QE Infinity” because it had no preset end date, only economic conditions that would eventually trigger its wind-down). By the time QE3 ended in 2014, the Fed’s balance sheet had grown roughly fourfold from its pre-crisis size, to around \$4.5 trillion.

The 2010 Dodd-Frank Act was Congress’s legislative answer to the crisis: it created the Consumer Financial Protection Bureau, imposed substantially tighter capital and stress-testing requirements on large banks, created a new Financial Stability Oversight Council to watch for systemic risk across the financial system, and — as Chapter 17 detailed — narrowed the Fed’s own emergency lending authority under Section 13(3) of the Federal Reserve Act, requiring future emergency programs to be broad-based rather than tailored rescues of individual failing companies, while also mandating the one-time comprehensive GAO audit of crisis-era lending discussed in that same chapter.

Markets, meanwhile, grew increasingly dependent on the expectation of continued Fed support in a way that went well beyond the old “Greenspan put.” The clearest demonstration came in 2013, when Bernanke merely suggested, in congressional testimony, that the Fed might eventually begin slowing its QE3 purchases if the economy continued improving — not ending them, simply slowing their future growth. Bond markets reacted immediately and violently, in an episode that became known as the “taper tantrum,” pushing the Fed to delay any actual tapering for months. Janet Yellen, who succeeded Bernanke in 2014, guided a famously slow and cautious exit from crisis-era policy, not raising the federal funds rate off zero until

December 2015 — seven full years after it had first hit the floor. Jerome Powell, who succeeded Yellen in 2018, continued a gradual pace of hikes into 2018 and 2019, before a sharp and unexpected spike in short-term lending markets in September 2019 forced the Fed to intervene directly in the plumbing of the financial system once again, and slowing global growth pushed the Fed back to cutting rates before 2019 was even over — meaning the Federal Reserve was already loosening monetary policy again before anyone had heard of COVID-19, a fact that matters for understanding just how much additional force the pandemic response, described next, would add on top of an already-easing starting point.

Chapter 22: The Fed You're Living Under

The Federal Reserve's response to the COVID-19 pandemic was, by nearly every available measure, the largest and fastest monetary intervention in American history, exceeding even the scale of the 2008 response. Within days of markets recognizing the severity of the crisis in March 2020, the Fed cut the federal funds rate back to zero, launched open-ended quantitative easing with no preset limit, and — for the first time in its history — moved directly into corporate credit markets, purchasing corporate bond exchange-traded funds and eventually individual corporate bonds through emergency facilities backstopped by funds Congress provided under the CARES Act. It supported small-business lending through a Paycheck Protection Program liquidity facility, created a Main Street Lending Program to reach mid-sized businesses the PPP did not cover, and dramatically expanded currency swap lines with foreign central banks to keep dollar funding markets functioning worldwide. The Fed's balance sheet, which had already grown to roughly \$4.2 trillion by early 2020, nearly doubled again, peaking near \$8.9 trillion in 2022.

The bill for that intervention arrived as inflation. Consumer prices, which had run below the Fed's own 2 percent target for most of the previous decade, began rising sharply through 2021 as pandemic-disrupted supply chains collided with historic fiscal stimulus and reopening demand. Chairman Powell's Fed initially, and publicly, characterized the rise as “transitory” — a temporary distortion that would fade as supply chains normalized — through most of 2021. That assessment was wrong, and by June 2022, the Consumer Price Index was running 9.1 percent higher than a year earlier, the worst inflation reading since November 1981 — the direct, if distant, echo of exactly the stagflation era Chapter 20 described, and a real, current-generation demonstration that the lessons of the 1970s had not been as permanently learned as many economists assumed.

The Fed's response was the fastest and steepest interest-rate hiking cycle in over forty years, taking the federal funds rate from near zero to a peak of roughly 5.25 to 5.50 percent by mid-2023. That tightening did not come without cost to the financial system it was meant to protect. In March 2023, Silicon Valley Bank and Signature Bank both collapsed within days of each other, undone substantially by unrealized losses on long-duration bond portfolios they had purchased when interest rates were near zero — bonds whose market value fell sharply as the Fed's own hikes proceeded, a direct and well-documented case of the Fed's anti-inflation medicine contributing to exactly the kind of banking-sector stress a central bank is supposed to prevent. Regulators responded by guaranteeing all deposits at the failed banks, even balances above the ordinary \$250,000 federal insurance limit, and the Fed introduced a new emergency facility, the Bank Term Funding Program, letting other banks borrow against their own underwater bond holdings at face value rather than depressed market value, to stem any wider panic. It worked, in the sense that the crisis did not spread further. It also demonstrated, yet again, a pattern this book has now traced across a full century: nearly every major expansion of the Federal Reserve's power and reach has arrived as the answer to a crisis the Fed's own prior policy helped create.

Inflation gradually cooled through 2024 and into 2025, and the Fed began cutting rates again in September 2025, delivering three consecutive quarter-point cuts that September, October, and December, bringing the target range down to 3.50 to 3.75 percent by year's end. That easing cycle collided, through 2025 and into 2026, with the most direct and sustained political assault on Federal Reserve independence in decades — and unlike most of the material in this chapter, this part of the story is still actively unresolved as this book goes to press.

President Donald Trump spent much of 2025 publicly and repeatedly pressuring Chairman Powell to cut interest rates faster, a level of open presidential criticism of a sitting Fed chair without precedent in the modern era.

In January 2026, Trump nominated Kevin Warsh — a former Fed governor from 2006 to 2011 who had spent the intervening years as an outspoken advocate for a smaller, more narrowly focused central bank — to succeed Powell as chair when Powell’s term expired in May. The Senate confirmed Warsh in mid-May 2026 by one of the narrowest, most party-line margins any Fed chair nomination has ever received, and Warsh was sworn in on May 22, 2026, with Powell — who chose to remain on the Board of Governors in his separate role as a governor, a seat whose term runs until January 2028 — serving briefly as chair pro tempore in the handover.

A separate, more direct confrontation unfolded alongside the leadership transition. In August 2025, Bill Pulte, director of the Federal Housing Finance Agency, publicly accused Fed Governor Lisa Cook of mortgage fraud, alleging she had claimed two different properties as her primary residence in 2021 to obtain more favorable loan terms — an allegation that subsequent reporting substantially undermined, with one property shown in her own loan and security-clearance paperwork to have been documented as a vacation or second home rather than a fraudulently claimed primary residence. Trump moved to fire Cook from the Board regardless, setting up a direct legal test of a question this entire book has circled since Part One: whether the President of the United States can simply remove a sitting Federal Reserve governor at will, or whether the “for cause” removal protection Congress built into the Federal Reserve Act actually means something. On June 29, 2026, the Supreme Court ruled, 5 to 4, that it does: the majority opinion, authored by Chief Justice Roberts, held that the Federal Reserve’s own governing statute grants governors a fixed term removable only “for cause,” entitling Cook to notice and a genuine opportunity to respond before any removal — allowing her to remain on the Board while the underlying litigation continues. Notably, the Court’s reasoning treated the Fed as a specific, unusual case rather than resting on the broader doctrine (from the 1935 case *Humphrey’s Executor v. United States*) governing removal protections at independent agencies generally — a doctrine the same Court has been narrow-

ing in other contexts. The Federal Reserve, alone among the independent agencies whose leaders' job security has come under sustained pressure in recent years, was found to have a specific statutory shield strong enough to survive first contact with it. The case is not over: in August 2026, Trump notified Cook that he was again considering her removal, giving her three weeks to respond, a deadline that had not yet resolved as this book was completed.

Warsh's Fed, meanwhile, spent its first months in office doing something almost no incoming Fed chair has done at this scale: publicly launching internal task forces — covering the Fed's communications practices, the size and composition of its balance sheet, the data it relies on, productivity and the labor market, and its basic inflation-targeting framework — to review and potentially rewrite core elements of how the institution operates, with findings expected before the end of 2026. On September 16, 2026, Warsh's FOMC delivered its first interest-rate move of his tenure: a unanimous, 12-to-0 vote to raise the federal funds target range by a quarter point, to 3.75 to 4.00 percent — the Fed's first rate increase since 2023, driven substantially by an oil-price shock tied to the ongoing conflict involving Iran, which pushed inflation back up even as the labor market remained resilient. Sixteen of the eighteen officials contributing to the Fed's own economic projections that month indicated they expected at least one more rate increase before the year was out.

This is, in other words, an institution still very much in motion as this book reaches its final pages — its independence freshly tested and, for now, upheld by the narrowest possible Supreme Court margin; its leadership freshly changed, under the most politically contested circumstances in its history; its basic operating framework under internal review; and its interest-rate policy reversing direction yet again in response to a geopolitical shock no one fully controls. The fight this book has traced from Jefferson's 1791 warning to Washington, through Jekyll Island in 1910, through Bryan's populists rewriting Aldrich's plan in 1913, through Volcker's hammer and

Greenspan's put and Bernanke's apology and Powell's "transitory" — the fight over who actually controls the value of the dollar in your pocket, and in whose interest that control is exercised — is not a settled piece of history you can read about from a safe distance. It is a live question, being argued out in real time, by real named people, as this book goes to print.

PART FIVE: THE VERDICT

Chapter 23: The Case for the Fed

Fairness requires making this case as strongly as its actual proponents make it, not as a strawman to knock down on the way to a predetermined conclusion. Here is the strongest version of the argument that the United States is better off with the Federal Reserve than without it.

It ended the panic cycle it was built to end. Part One of this book documented, in detail, a national banking system that produced a severe financial panic roughly once a decade for fifty years — 1873, 1884, 1893, 1907 — each one a genuine, uncontrolled economic catastrophe with no institution capable of stopping it. Whatever the Federal Reserve’s later failures, and Chapter 18 did not soften the worst of them, the specific structural flaw that caused those particular panics — a currency supply that could not expand or contract with the economy’s actual needs — has not recurred in anything like the same form since 1913. Banking crises still happen; they no longer happen because the physical, legal supply of currency is mechanically frozen regardless of demand.

It learned, however slowly, from its own worst mistake. The Fed’s failure during the Great Depression is the most damning fact in this entire book, and Bernanke’s own 2002 admission, quoted in full in Chapter 18, does not exist because the Fed’s defenders enjoy confessing to disasters. It exists because the lesson was actually absorbed at the highest levels of the institution, and it visibly shaped the response to the next two major crises. In 2008 and again in 2020, facing conditions genuinely comparable in scale to 1930-33, the Federal Reserve did the opposite of what it had done the first time: it flooded the system with liquidity, acted aggressively as a lender of last resort, and prevented the kind of cascading, multi-year wave of bank failures that defined the 1930s. Whatever one thinks of the costs of quantitative easing discussed elsewhere in this book, the alternative — a 2008 or

2020 handled with 1930s-style passivity — is not a hypothetical anyone seriously argues would have gone better.

Independence has a real, demonstrable track record of enabling necessary but unpopular decisions. Paul Volcker’s disinflation in the early 1980s inflicted genuine, severe pain on millions of Americans, and it is difficult to construct a plausible alternative history in which an institution fully exposed to real-time electoral pressure — the kind of pressure Arthur Burns caved to a decade earlier, with damaging results Chapter 20 documented in full — makes the same choice. The 1951 Treasury-Fed Accord, described in Chapter 19, exists precisely because sustained subordination of monetary policy to short-term fiscal or political convenience produces worse outcomes than an institution insulated enough to occasionally tell elected officials no. This is not a defense of every specific decision the Fed’s independence has ever produced. It is a defense of the structural principle that the decisions get made by people who do not face the voters directly, and the record contains real, specific instances — not merely theoretical ones — where that structure appears to have mattered.

The alternatives have real, documented costs of their own. Critics who favor abolishing the Fed entirely, discussed fully in Chapter 26, generally propose returning to some version of a commodity-backed currency or a purely rules-based, automatic monetary system with no discretionary human judgment at all. Both approaches have historical track records too, and those track records are not uniformly better than the Fed’s — a strict gold standard, as this book documented in Part One, coexisted with recurring, brutal panics for the entire nineteenth century, and rigid rules-based systems have historically struggled to respond flexibly to genuinely novel shocks, including the kind of sudden, unprecedented crisis a pandemic represents. The case for the Fed is not that it is a good institution in some abstract sense. It is that every alternative anyone has actually tried, including the ones that preceded it, has its own well-documented failure modes, and “no central man-

agement of the currency at all” was the specific system that produced the crisis that led to the Fed’s creation in the first place.

Its profits overwhelmingly benefit the public, not private bankers, when the system is functioning normally. Chapter 17 detailed the actual mechanics: regional Reserve Bank stock cannot be sold or traded, pays a dividend capped far below what member banks could earn on a comparable open-market investment, and the System remits the great bulk of its net earnings directly to the U.S. Treasury, reducing the federal deficit by tens of billions of dollars in a typical year. Whatever else is true about the Fed’s founding or its structure, “a private profit-making scheme for bankers” does not accurately describe where the money actually goes when the system is working as designed.

Chapter 24: The Case Against the Fed

Now the strongest version of the opposing case, built from the same documented record rather than from any of the myths Chapter 12 already retired.

It was designed in secret, by the people it would most benefit, and the public had no voice in the first draft. This is not a contested claim requiring any embellishment; it is the Federal Reserve's own official history, recounted in full in Chapter 8. A sitting U.S. senator with direct family ties to the Rockefeller fortune secretly convened the country's most powerful private bankers, hid their identities from hotel staff, and let them write the actual first blueprint for the institution that would go on to regulate their own industry — a full three years before Congress passed anything resembling a final law, and entirely outside the public commission process ostensibly responsible for the work. That the final law was substantially rewritten by Bryan's populists, as Chapter 10 detailed, does not erase the fact that the starting point for the entire negotiation was a document written by the regulated industry itself, in a setting deliberately designed to keep the public from finding out until decades later.

It caused the worst economic catastrophe in American history, by its own later admission. Chapter 18 is not this book's editorial opinion. It is Ben Bernanke, an actual Federal Reserve governor and future chairman, stating on the record that the institution caused the Great Depression. An institution created specifically to prevent financial panics failed at that task so completely, within twenty years of its founding, that it produced a depression far worse than any panic the pre-Fed system ever generated on its own.

It has repeatedly inflated the asset bubbles it later had to clean up after. Benjamin Strong's low rates fed the speculative bubble that collapsed in 1929. Alan Greenspan's low rates from 2002 to 2004 fed the housing bubble that collapsed in 2008. Near-zero rates sustained for most of a dec-

ade after 2008, followed by the extraordinary pandemic-era expansion described in Chapter 22, fed both a historic asset-price boom and, ultimately, the worst inflation in four decades. A pattern repeated three times across a full century is not bad luck. It is a structural tendency of an institution whose primary tool — the price of credit — reliably encourages more borrowing and more risk-taking exactly when it is set low, whatever the intentions behind setting it there.

It has deliberately, openly engineered the permanent loss of the dollar's value, and most Americans have never been told this in plain terms. Since 2012, the Federal Reserve has operated under a formally announced policy of targeting 2 percent annual inflation — meaning the institution's stated goal, not a side effect it apologizes for, is that the dollar loses purchasing power every single year, indefinitely, by design. The cumulative effect of a century of this and its less formalized predecessor policies is not subtle: by standard Bureau of Labor Statistics inflation calculations, a dollar in 2026 buys roughly three to four cents worth of what a dollar bought in 1913, when the Federal Reserve was created — a loss of roughly 96 to 97 percent of its purchasing power over 113 years. There are genuine technical arguments for why a small, steady, predictable rate of inflation is preferable to the alternative of a currency whose value never changes at all, and Chapter 26 presents them honestly. There is no genuine argument that this policy has been well understood or clearly communicated to the ordinary Americans whose savings, wages, and pensions it steadily erodes. A policy this consequential, running for over a century, deserves more public comprehension than it has ever actually received — and an institution confident its policy is sound should not need the public to remain confused about it for that policy to keep working.

Its independence, the very feature its defenders praise most, insulates it from the people whose lives its decisions determine. No one voted for Paul Volcker's decision to push unemployment past 10 percent. No one voted for Alan Greenspan's decision to keep rates low enough, for long

enough, to help inflate a housing bubble whose collapse cost millions of Americans their homes. The seven governors and the rotating cast of regional bank presidents who set the price of money for the entire country face no election, no recall, and — as Chapter 17 documented — no meaningful real-time public accountability for the specific reasoning behind their votes, which the public is not permitted to see in full for five years. “Independence” and “unaccountability” describe the same structural fact from two different emotional angles, and which word you reach for says more about whether you currently like what the Fed is doing than about the underlying arrangement itself.

It has expanded its own power fastest during every emergency, and never fully given that power back. Chapter 13 named the pattern first, and the rest of Part Four confirmed it repeatedly: the Fed’s authority and reach grew during the First World War, grew again and permanently reorganized during the Depression and the Second World War, grew dramatically and in genuinely new directions in 2008, and grew further still, into markets and forms of direct intervention it had never touched before, in 2020. An institution whose emergency powers only ever ratchet in one direction is not describable, honestly, as a narrowly limited one, whatever its founding statute says about its scope.

Chapter 25: The Duping of America

Both of the last two chapters are true. That is the actual, complete, uncomfortable answer this book has to give, and it is worth being explicit about why “both sides have a point” is not this book’s way of dodging a conclusion, but the conclusion itself.

Here, in plain English, is what actually happened, stripped of both the mythology critics have layered onto it and the tidy institutional self-narrative the Fed’s defenders sometimes offer in its place.

A small number of extremely powerful private financiers, worried about the stability of a system that happened to make them very rich, secretly designed a new institution to stabilize it — in a location and manner deliberately chosen to keep the public from finding out until it was already built. That is not a metaphor for “duping.” It is a literal description of a real event, confirmed by the Federal Reserve’s own historians, that took place on a private island in November 1910.

A political movement rooted in a century of genuine Jeffersonian and Jacksonian suspicion of concentrated financial power fought that plan to a draw, not a defeat — winning a public board with real federal authority sitting on top of a private, banker-financed operational structure it could supervise but never fully absorb. That compromise, not a clean victory for either side, is the actual Federal Reserve System, and it has behaved, for 113 years, exactly like what it is: an institution that answers, imperfectly and with real friction, to two different masters who never fully trusted each other and still don’t.

That institution then did real, serious damage the very first time it faced a genuine test — deepening the Great Depression through passivity its own future chairman would later apologize for by name — and, having absorbed that lesson at enormous cost, spent the following ninety years alternating

between overcorrecting in ways that inflated dangerous bubbles and correcting hard enough, when it finally moved, to cause real recessions and real unemployment on its own terms, on its own schedule, answerable to no election.

And through all of it, the dollar in every American's pocket has been quietly, openly, and by explicit design engineered to be worth less every single year than it was the year before — a policy stated plainly in the Federal Reserve's own published materials, defensible on real technical grounds, and almost never explained to the public in terms most people would actually recognize as “the government has a formal policy of making your savings worth less over time, on purpose, forever.”

That is the duping this book's title refers to, and naming it precisely matters, because the imprecise version — a secret cabal, a fake Wilson quote, a Rothschild family that was never in the room — is not just wrong. It is a gift to everyone who benefits from the real story going untold. Every time a reader discovers that the most famous “smoking gun” quote about the Fed is fabricated, or that the international-banker conspiracy has a documented origin in a Nazi sympathizer's psychiatric-ward writing assignment, the entire, real, well-documented critique gets discredited by association — dismissed by defenders of the status quo who can rightly say “that's not true” about the myth and wrongly imply the same dismissal covers everything else critics have ever said about the institution.

The actual duping did not require a conspiracy, because it never needed one. It required only what actually happened: a complicated, technical, deliberately hybrid institution, built through a compromise nobody fully controlled, entrusted with a power — deciding what money is worth — that touches literally every person in the country every single day, and then almost never explained to those people in terms clear enough for them to have an informed opinion about it at all. Secrecy at the founding. Self-interest baked into the design. A currency built to depreciate, by policy, forever. And

a hundred and thirteen years in which the average American has been given every incentive to either not think about any of this, or to think about it through the lens of whichever myth happened to reach them first.

You have now read the version built from the documented record instead. What you do with it — and what, if anything, should change about the institution going forward — is the subject of this book's final chapter.

Chapter 26: What Comes Next

None of the reform ideas that follow are this book's own invention. Each has real, serious advocates, real technical arguments in its favor, and real, honestly acknowledged costs. This book takes no institutional position among them; it lays out what is actually on the table, for a reader now equipped to evaluate the arguments on their merits rather than on the loudest voice making them.

Full audits of monetary policy in real time. The version of “Audit the Fed” legislation Ron Paul and Rand Paul have repeatedly introduced in Congress would extend GAO review to the FOMC's actual policy deliberations, not merely the Fed's financial statements and past emergency-lending programs already subject to audit today, as Chapter 17 explained. Proponents argue an institution with this much power over the economy should not get five years of secrecy before the public sees its real-time reasoning. Opponents, across a wide part of the political spectrum, argue that real-time political scrutiny of interest-rate deliberations would functionally destroy the independence that made the 1951 Accord and the Volcker disinflation possible in the first place, replacing technical judgment with whatever an anxious Congress facing an election wants to hear that quarter.

Ending the Fed outright and returning to a commodity-backed or free-market currency. Associated most closely with Ron Paul's decades-long “End the Fed” advocacy, this position argues that no institution should hold discretionary power over money at all, and that a currency anchored to gold or another fixed external standard — or, in a more recent variant, a competitive system where multiple private currencies, potentially including cryptocurrencies, compete for public trust without any central issuer — would remove the temptation toward the bubble-inflating and currency-debasing behavior Chapter 24 documented. The honest cost, established in Part One of this book at length, is that every version of American monetary his-

tory without a central bank produced its own recurring, severe panics, and no advocate of this position has yet offered a fully convincing account of how a modern, multi-trillion-dollar global economy would supply emergency liquidity during a genuine crisis without some institution playing a role at least functionally similar to the one the Fed plays today.

Rules-based policy instead of discretionary judgment. A middle position, associated with economists including John Taylor (originator of the widely cited “Taylor Rule” formula relating interest rates mechanically to inflation and output), would keep the Federal Reserve’s basic structure but bind its interest-rate decisions to a preset mathematical formula rather than the FOMC’s discretionary judgment, reducing the scope for the kind of political pressure that bent Arthur Burns’s policy in the early 1970s, while avoiding the return to a full commodity standard. Critics note that Chapter 22’s central lesson — the fastest, most severe hiking cycle in forty years, in direct response to a genuinely unprecedented pandemic and a foreign war’s oil shock — is difficult to reconcile with a rigid preset formula that cannot account for a circumstance its authors never anticipated.

Targeting something other than inflation. A range of economists have proposed the Fed target the level of nominal GDP — total spending in the economy — rather than the inflation rate alone, arguing this would let the Fed accommodate temporary supply shocks (like the 2021 pandemic disruptions or the 2026 oil shock discussed in Chapter 22) without either overreacting or underreacting, since a nominal GDP target responds to genuine changes in economic activity rather than mechanically fighting every price increase regardless of its source. It remains, as of 2026, a proposal debated in academic and Federal Reserve research circles rather than adopted policy, and Chairman Warsh’s newly launched Inflation Framework task force, described in Chapter 22, is one of the more consequential live venues where an idea like this could actually gain real institutional traction in the near future.

Central bank digital currency, and the opposite instinct it has provoked. A genuinely new fault line, absent from every previous chapter of this book because it did not exist until the last several years: whether the Federal Reserve should issue its own digital currency, held and transacted directly through Fed-run accounts rather than through the existing structure of private commercial banks. Proponents argue it could make payments faster and cheaper and extend banking access to Americans currently outside the traditional banking system. Opponents — a coalition spanning much of the same political range that disagrees about everything else in this chapter — warn that a central bank capable of seeing, and potentially restricting, every individual transaction in the country would concentrate a kind of surveillance and control over ordinary financial life that no version of the Federal Reserve has ever possessed in its previous 113 years, Jekyll Island included. As of 2026, the Federal Reserve has not moved to issue one, and the current political environment in Washington runs, if anything, in the opposite direction.

Whichever of these ideas a reader finds most persuasive, or none of them, the argument this book has tried to make from Chapter 1 onward still stands on its own: understanding what the Federal Reserve actually is, who actually built it, and what it has actually done for 113 years does not require choosing a myth. The real story was damning and defensible in roughly equal measure, long before anyone needed to invent a single fabricated quote to make it interesting. It still is.

TIMELINE

1775–1781 — Continental Currency, printed to finance the Revolutionary War, collapses in value. “Not worth a Continental” enters the language.

1791 — Congress charters the First Bank of the United States on Alexander Hamilton’s proposal. Thomas Jefferson files a written constitutional objection with President Washington.

1811 — The First Bank’s charter expires and is not renewed.

1816 — Congress charters the Second Bank of the United States.

1832–33 — President Andrew Jackson vetoes the Second Bank’s re-charter and orders federal deposits withdrawn from it.

1836 — The Second Bank’s federal charter expires.

1837–1862 — The “Free Banking Era.” State-chartered banks issue their own currency of wildly uneven quality.

1862–1865 — The Legal Tender Act creates “greenback” fiat currency. The National Banking Acts create federally chartered national banks and a uniform national currency, tied to bank holdings of federal bonds.

1873, 1884, 1893, 1907 — Severe financial panics under the National Banking System’s “inelastic currency.”

1907 — The Panic of 1907. J.P. Morgan personally organizes a private banking-sector rescue.

1908 — The Aldrich-Vreeland Act creates the National Monetary Commission, chaired by Senator Nelson Aldrich.

November 1910 — The Jekyll Island meeting. Aldrich, A. Piatt Andrew, Henry Davison, Frank Vanderlip, and Paul Warburg secretly draft the plan that becomes the Aldrich Plan.

January 1911 — The National Monetary Commission publishes the Aldrich Plan.

1912–1913 — The Pujo Committee investigates the “Money Trust.”

November 1912 — Woodrow Wilson elected president; Democrats win both chambers of Congress.

December 23, 1913 — Wilson signs the Federal Reserve Act into law.

November 16, 1914 — The twelve regional Federal Reserve Banks open for business.

1914–1918 — Paul Warburg serves on the first Federal Reserve Board. The Fed helps finance U.S. entry into World War I.

1929 — The stock market crashes in October.

1930–1933 — Over 9,000 bank failures. The Fed fails to act as lender of last resort.

1933 — Glass-Steagall separates commercial and investment banking and creates the FDIC. Executive Order 6102 ends domestic gold redemption.

1935 — The Banking Act restructures Fed governance, creates the modern Board of Governors, and centralizes the FOMC in Washington.

1944 — The Bretton Woods Agreement pegs the dollar to gold at \$35/oz and other currencies to the dollar.

1951 — The Treasury-Federal Reserve Accord ends the Fed’s wartime obligation to keep government borrowing costs artificially low.

August 15, 1971 — The “Nixon Shock.” The United States suspends the dollar’s convertibility into gold, ending Bretton Woods.

1979–1982 — Fed Chairman Paul Volcker raises the federal funds rate to roughly 19–20% to break double-digit inflation. Unemployment peaks near 10.8%.

October 19, 1987 — Stock market crash. Chairman Alan Greenspan’s Fed publicly commits to supplying liquidity.

2000–2004 — The dot-com bust; the Fed holds rates near 1% through 2004.

2002 — Ben Bernanke, then a Fed governor, publicly states the Fed caused the Great Depression.

2007–2009 — The global financial crisis. Bear Stearns is rescued; Lehman Brothers fails; AIG is bailed out; TARP is enacted; the Fed cuts rates to zero and begins quantitative easing.

2010 — The Dodd-Frank Act. A one-time GAO audit finds over \$16 trillion (cumulative, overlapping short-term loans) in Fed crisis-era lending.

2013 — The “taper tantrum.”

2020 — COVID-19. The Fed cuts rates to zero, launches open-ended QE, and intervenes directly in corporate credit markets for the first time. Reserve requirements are reduced to zero.

2021–2022 — Inflation surges; CPI peaks at 9.1% in June 2022, the worst reading since 1981.

2022–2023 — The fastest rate-hiking cycle in over 40 years. Silicon Valley Bank and Signature Bank collapse in March 2023.

September 2025 — The Fed begins cutting rates again, three consecutive cuts through December.

January–May 2026 — Trump nominates Kevin Warsh to succeed Jerome Powell; the Senate confirms him in a near-party-line vote; Warsh is sworn in May 22, 2026.

June 29, 2026 — The Supreme Court rules 5–4 in *Trump v. Cook* that Governor Lisa Cook may not be summarily removed, affirming the Federal Reserve Act’s “for cause” removal protection.

September 16, 2026 — The FOMC raises the federal funds target range to 3.75–4.00%, its first hike since 2023, unanimously, amid an oil-price shock.

GLOSSARY

Board of Governors — The seven-member federal body in Washington, D.C. that governs the Federal Reserve System. Members are presidentially appointed and Senate-confirmed to fixed 14-year terms.

Central Bank Digital Currency (CBDC) — A digital form of a nation’s currency issued and controlled directly by its central bank, as opposed to money held in accounts at private commercial banks. The Federal Reserve has not issued one.

Discount Window — The Fed’s direct lending facility, through which banks can borrow reserves, typically at a rate slightly above the target federal funds rate, usually as a last resort.

Dual Mandate — The Fed’s two statutory goals, set by Congress: maximum sustainable employment and stable prices.

Federal Funds Rate — The interest rate banks charge each other for overnight loans of reserves; the Fed’s primary policy target.

Federal Open Market Committee (FOMC) — The 12-member committee (7 governors, the New York Fed president, and 4 rotating regional presidents) that sets interest-rate policy and directs open-market operations.

Fiat Currency — Money with value derived from government decree and public confidence, not from a redeemable physical commodity like gold or silver.

“For Cause” Removal — The Federal Reserve Act’s protection preventing a president from removing a sitting Fed governor except for documented misconduct, with notice and an opportunity to respond — the provision tested in the 2025–2026 Trump v. Cook litigation.

Humphrey's Executor — The 1935 Supreme Court precedent generally protecting the heads of independent federal agencies from at-will presidential removal; a doctrine the Court has narrowed in recent years while treating the Fed's own statutory protections as a distinct question.

Interest on Reserve Balances (IORB) — Interest the Fed pays banks directly on reserves held at the Fed; a primary modern tool for keeping the federal funds rate within its target range.

Member Bank — A commercial bank that holds required, non-tradeable stock in its regional Federal Reserve Bank.

Quantitative Easing (QE) — Large-scale Fed purchases of Treasury and other securities, used to lower longer-term interest rates and add reserves to the banking system when short-term rates are already near zero.

Quantitative Tightening (QT) — The reverse process: allowing the Fed's securities holdings to shrink, typically by not fully reinvesting the proceeds of maturing bonds.

Reserve Requirement — The historical rule requiring banks to hold a set fraction of deposits in reserve. Reduced to zero for all U.S. banks in March 2020.

Reverse Repurchase Agreement (Reverse Repo) — A transaction in which the Fed borrows cash overnight from banks and other financial institutions, used to set a floor under short-term interest rates.

Taylor Rule — A formula, proposed by economist John Taylor, prescribing a specific interest-rate response to inflation and output, often cited as an alternative to discretionary Fed policymaking.

Zero Interest Rate Policy (ZIRP) — A federal funds rate target at or near zero percent, used during the 2008–2015 and 2020–2022 periods.

A NOTE ON SOURCES

This book relies, wherever possible, on primary documents and the most authoritative available secondary sources: the Federal Reserve’s own official historical archive at federalreservehistory.org, including its detailed essay on the Jekyll Island meeting; the Federal Reserve Act and its legislative history; Ben Bernanke’s November 8, 2002 remarks at “A Conference to Honor Milton Friedman,” archived on the Federal Reserve’s own website; Milton Friedman and Anna Jacobson Schwartz’s *A Monetary History of the United States, 1867–1960* (1963); the Pujo Committee’s 1913 report; Thomas Jefferson’s *Monticello Encyclopedia*, whose researchers have done the definitive work of separating Jefferson’s genuine correspondence from the spurious quotations long attributed to him; contemporaneous and archival news coverage of 2025–2026 events, including Federal Reserve press releases, Supreme Court filings in *Trump v. Cook*, and financial press coverage of the September 2026 FOMC meeting; and standard historical references on the First and Second Banks of the United States, the National Banking Era, and the Bretton Woods system.

Readers who want a longer, narrative treatment of the Jekyll Island story specifically may want to read Roger Lowenstein’s *America’s Bank* (2015), a well-regarded mainstream history of the Federal Reserve’s founding. Readers will also, inevitably, encounter G. Edward Griffin’s *The Creature from Jekyll Island*, by far the most widely read critical account of this story; it contains real historical material alongside claims this book’s own research could not verify, and it should be read alongside more rigorously sourced accounts, not in place of them. Eustace Mullins’s *Secrets of the Federal Reserve* is, for the specific reasons given in Chapter 12, not recommended as a factual source at all, whatever its continued popularity in this genre.

ABOUT THE AUTHOR

Rev. George H. Stoddard is an ordained minister, Southern Gospel songwriter and producer, and the author of an extensive catalog of Christian non-fiction, biography, and Scriptural study guides published under the Booklyn imprint and In His Hands Ministries International. This book reflects the same standard he has brought to his other work: tell the true story in full, and trust readers to handle it without needing it exaggerated.