

Introduction

In these days of YouTube “New World Order” videos and illuminati chasers, a book on the Federal Reserve could be misconstrued as yet another conspiracy theory to add to the pile of blogs and web sites that choke our mainframes. This is not one of those books, and I am not one of those historians. You will find no satanic rituals, pentagrams, or lizard people from outer space here. You will find the Federal Reserve, money, politics, power, and the men who controlled them all.

I love the United States of America. I think a democratic form of capitalism is the best economic system for any nation. I like, in theory, what Wall Street provides the average American investor, as well as the corporate structure. I invest in the stock market, I own real estate, and I am even a private lender. The idea of an opportunity to better an individual’s economic condition is one of the American ideologies that make this nation such a great place. However, this system can be and is abused on too many occasions, and that concept was the inspiration for my research.

I am against cupidity and the reckless nature in which those who are possessed by it slash and burn as a means to dictatorial or oligarchical ends. I am against the total lack of transparency and the destructive forces of corporate consolidation and monopolization that kills the spirit of free enterprise in this country. The scourge of deregulation since the Reagan years that has given Wall Street banking institutions a free pass to cannibalize their own market through derivative investment, synthetic portfolios, and notional commodity fixtures is an insult to average American investors and exemplifies the weakness and the culpability of the government, which was organized to protect them.

This book is about power. Those who possess it and those who channel it to the reservoirs of consolidated gain. This process has been going on since the pharaohs

of ancient Egypt. However, in this country, around the turn of the twentieth century, a politician, an economist, and a few Wall Street bankers overthrew the entire monetary system of the United States of America and produced an entity that for the benefit of the select few who built it, would wield more economic power than any other of its kind.

When the profits of private institutions begin to eclipse the GNPs of many countries, the argument that what is best for those companies is what is best for the nation that houses them, is a cogent one. The Wall Street bankers who created the Federal Reserve never made this argument. However, perhaps that was their motivation. Perhaps they only had the nation's best interests in mind when they revamped its monetary system. Admitting no benefit for themselves, the founders of the Federal Reserve made themselves out to be patriots, fighting for the economic freedom of a growing nation. They usurped control of America's currency and monetary policies, as they built a central banking system in which little to no government interference, regulation, or oversight was possible, with the banks they owned and represented, privately acting as the fiscal agents for every citizen of the United States. The founding of the Federal Reserve could be described as an economic *coup d'état*, with Wall Street as the insurgent, the US government as the assassinated leader, and the currency as the spoils.

There have been many books written about the Federal Reserve in recent years, and almost all of them cover its founding and its founders. William Greider's *Secrets of the Temple: How the Federal Reserve Runs the Country* was a New York Times best-seller in the 1980s, and an epic telling of the Fed's power and control over the nation's monetary system. Liaquat Ahamed's *Lords of Finance: The Bankers Who Broke the World* is a poignant source of information on the Federal Reserve and its founders, as are James Livingston's *Origins of the Federal Reserve System: Money, Class, and Corporate Capitalism*, Martin Mayer's *The Fed: The Inside Story of How the World's Most Powerful Financial Institution Drives the Markets*, and Allan H. Meltzer's *A History of the Federal Reserve*, which is a banking historian's bible. What makes this book different and, hopefully, a worthy addition to the scholarship that inspired it, is its aim to give insight into the men who created the Fed in order to better understand their creation.

The Federal Reserve System's one hundred year legacy has left no doubt of its vast monetary control, its far-reaching geopolitical power and its enigmatic secrecy. These defining features of the Fed remain a mirror of the men who created it. Wall Street barons and ambitious politicians vied for control over shaping the US Federal

Reserve to the specifications that suited the needs of both their country and themselves.

A vast number of Americans are focused on the Federal Reserve as of late. Along with the Fed's recent one-hundredth-year anniversary, economic and monetary globalization, the downward spiral of the economy and its subsequent stagnation has affected the entire nation. The collapse of the real estate market, backroom bailouts, interest rates, inflation and bank loans are on the forefront of US citizens' economic concerns. Given all this, I believe that mostly, people are clamouring for more transparency, clarity and honesty in politics, business and banking these days. Citizens are tired of being lied to and disillusioned by the small percentage of people and entities that seemingly run their lives. Yet, as the Federal Reserve has become slightly more exposed in its role in these affairs, the Fed remains as mythic and indecipherable as ever.

Although many people's livelihoods depend upon decisions the Fed makes, many people do not understand or have any knowledge of the inner workings of this institution. Many think the Fed is a government agency – it is not. Many think it was created by politicians for the benefit of the US economy – it was not. Many think it is stringently regulated by the government – it is not. Many think that the currency, which the Fed controls, is backed by something held in reserve, like gold – it is not. To fully understand the US Federal Reserve, one must familiarize oneself with its history. When we comprehend something's inception and its creators, we may then fully understand its nature, its capacities and its motivations.

This book will define the Federal Reserve and its power. It will then examine its founders separately and consider the ties that bound them through their banking or political careers. By examining their actions as individuals – a politician, an economist and four bankers – a deeper understanding is revealed of the politics, economics and the banking industry of the time, and the relationships that were formed within the web of fraternal and familial collectivism that was Wall Street. Armed with this information we may then make an honest appraisal of the men (and who or what they represented) who created and ran America's central banking system.

Asking "Who created the Federal Reserve?" is like asking "Who built the Empire State Building?". So many businessmen, companies, banks, politicians were involved with the finished product that it would be irresponsible to give credit to just one person. However, there was a small group of men who took the idea for a US central banking system and set the wheels of monetary change in motion for the country,

and consequently, the world. They either were, or represented, the most dominant banking and business interests in the country, and six of them met, in secret, on a tiny piece of land off the coast of Georgia called Jekyll Island.

This book leaves the door open to many questions and the opportunity for further research on this subject and in the field of US banking and economic history from both a statistical standpoint and a biographical one. Continuing to track the Federal Reserve's impact on US and foreign economies throughout the twentieth century would be just as riveting and informative as tracing its lineage to the lives of men like J. P. Morgan, James J. Stillman, Jacob Schiff, or the Rockefeller and Rothschild dynasties. The US Federal Reserve was based on the many European central-banking systems of its time. Studying their births and comparing them to their neophyte, American cousin would be fascinating.

Senator Nelson W. Aldrich, Paul M. Warburg, Benjamin Strong, Jr, Frank A. Vanderlip, A. Piatt Andrew and Henry P. Davison were among the heavyweights of the American financial arena, and they did not acquire that reputation by being anything but merciless and single-minded in their nature and their actions. These men and the banking system they built had one singular goal: to gain as much money and power as possible. The longevity of the system; its cryptic, untouchable and unregulated hierarchy; and the immeasurable reach of its wealth and power are testaments to their success, and to many of the failures of the United States economy. This book is intended to hold a few feet to the fire, in an attempt to improve our economic system through an analysis of trust.