From Private Rescue to Public Responsibility: The Federal Reserve Act of 1913

Jiayi Chen

Senior Division

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I chose to research the Federal Reserve Act of 1913 after learning how the Panic of 1907 devastated communities far from Wall Street. Farmers were unable to move their crops because New York banks had restricted the nation's cash supply. Factory workers lost employment when businesses could not obtain payroll currency. Immigrant families saw their savings disappear when undercapitalized community banks collapsed. In the absence of any public institution capable of responding, the financier J.P. Morgan was forced to coordinate an emergency private rescue. The contrast between the scale of the national crisis and the improvised nature of its resolution compelled me to fully investigate how the United States came to establish a systemic central bank.

This topic connects directly to the National History Day theme, "Revolution, Reaction, Reform in History." The Panic of 1907 revealed a revolutionary failure in American finance: a system in which private actors bore sole responsibility for economic stability, and when they failed, ordinary Americans absorbed the consequences. Farmers who had spent years paying twelve to fifteen percent interest while Wall Street speculators borrowed at two percent demanded equitable access to credit; workers insisted that deposited wages remain accessible during financial distress. The Federal Reserve Act of 1913 was the reform that emerged from this tension between concentrated financial power and the public's claim to economic security, reassigning responsibility for financial stability from private financiers to the federal government.

Research began with secondary scholarly works to build a foundational understanding of the political and economic context surrounding the Federal Reserve Act. Primary sources then provided direct engagement with historical voices from the period.

Congressional records, political speeches, government commission reports, labor publications, and contemporary newspaper coverage offered a range of perspectives on the causes of financial instability and the debate over reform. Digital archives were essential tools for locating and verifying these primary documents. Throughout the research process, I sought to balance the viewpoints of policymakers, financial reformers, and the ordinary Americans most affected by the pre-1913 banking system.

The historical argument of this paper is that the Federal Reserve Act marked a decisive transfer of responsibility for economic stability from private financiers to publicly accountable institutions. By creating an elastic currency, a discount window for emergency lending, and twelve regional Reserve Banks under federal oversight, the Act replaced improvised private rescue with predictable public mechanisms, permanently altering how ordinary Americans related to banks, credit, and the federal government.

The significance of this topic extends beyond 1913. The Federal Reserve's early limitations were exposed during the Great Depression, when its decentralized structure and gold standard constraints contributed to catastrophic monetary contraction. Yet subsequent reforms, including federal deposit insurance in 1933 and the abandonment of the gold standard in 1971, built upon the Act's foundational principle that safeguarding economic security is a shared national responsibility. Today, nearly every major economy operates a central bank modeled on the principle that financial stability is a public responsibility—a principle the Federal Reserve Act first codified into American law.

From Private Rescue to Public Responsibility: The Federal Reserve Act of 1913

Introduction

At the turn of the twentieth century, the United States experienced spectacular economic growth coupled with constant financial crises. Unregulated banks pyramided their deposits in New York City, speculative trust companies made call loans on Wall Street, and a rigid money supply left rural communities scrambling for cash every harvest.[1] In 1907, a sudden collapse in the price of United Copper stock triggered mass runs on banks and trust companies; New York trust companies' deposits drained by $8 million in a single day, call-loan interest rates shot to nearly 100 percent, and the stock market plunged almost 50 percent.[2]

On Main Streets around the nation, the crisis materialized measurably–as trust companies suspended payments, correspondent banks across the country stopped honoring withdrawals, and factories shuttered temporarily when payroll cash could not be obtained.[3] Samuel Gompers, president of the American Federation of Labor, observed that "the working people are the first to feel the sting of a financial crisis... they find themselves walking the streets in idleness because the 'high financiers' have mismanaged the nation's credit."[4] Workers rushed to withdraw wages already deposited, while rural banks were unable to draw currency. Because New York banks rationed credit during the harvest

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[1] Sprague, O. M. W. History of Crises Under the National Banking System. Government Printing Office, 1910. Accessed 23 Feb. 2026.
[2] Bruner, Robert F., and Sean D. Carr. The Panic of 1907: Lessons Learned from the Market's Perfect Storm. John Wiley & Sons, 2007. Accessed 11 Feb. 2026.
[3] Moen, Jon, and Ellis Tallman. "The Panic of 1907." Federal Reserve History, 4 Dec. 2013, https://www.federalreservehistory.org/essays/panic-of-1907. Accessed 26 Jan. 2026.
[4] Gompers, Samuel. "The Panic and the Workers." American Federationist, vol. 15, no. 2, Feb. 1908, p. 112. Accessed 22 Jan. 2026.

season, farmers were left unable to pay laborers or transport crops. In dozens of towns, local clearinghouses and merchants issued emergency script or accepted bartered goods estimated at $500 million[5] because federally issued currency had become unavailable in daily transactions. This desperation fueled the arguments of populists like William Jennings Bryan, who warned that allowing private banks to issue asset currency “would simply increase Wall Street's control over the nation's finances, and that control is tyrannical enough now."[6]

In the wake of the crisis, the Federal Reserve Act of 1913 represented a revolutionary reform, transforming financial stability from a private responsibility to a public duty. Crafted amid fears of a Wall Street “money trust” and farmer-led populist cries for democratic control, the Act institutionalized a central bank that combined regional representation with federal oversight. By creating sophisticated macroeconomic tools for a central bank to use during financial crises–including an elastic currency, a discount window, and a national clearing system–the Federal Reserve Act sought to protect farmers, workers, and small businesses from the recurring boom–bust cycle. Although critics warned that the system merely legalized a new “gigantic trust,” the Act marked a decisive shift toward public responsibility for economic stability by transferring the power to issue currency, manage reserves, and provide emergency credit from private financiers to publicly accountable institutions, thereby permanently altering how ordinary Americans related to banks, markets, and the federal government.[7]

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[5] Andrew, A. Piatt. "Substitutes for Cash in the Panic of 1907." The Quarterly Journal of Economics, vol. 22, no. 4, 1908, pp. 497-516. Accessed 11 Jan. 2026.
[6] Bryan, William Jennings. "Asset Currency." The Commoner, vol. 7, no. 48, 13 Dec. 1907. Accessed 5 Feb. 2026.
[7] Lowenstein, Roger. America's Bank: The Epic Struggle to Create the Federal Reserve. Penguin Press, 2015. Accessed 2 Feb. 2026.

Banking Before 1913: An Inelastic Currency and an Unregulated System

The First and Second Banks of the United States (1791–1811 and 1816–1836) were politically controversial,[8] but they provided some regulation for the nation's growing economy. President Andrew Jackson denounced the Second Bank as an unconstitutional concentration of power and vetoed its re-charter, framing the issue as a battle between ordinary citizens and financial elites.[9] After the bank's demise, the United States entered an era of "free banking," in which state-chartered banks issued notes backed by a wide array of assets and subject to uneven supervision.[10] Bank failures and depreciated notes became common.

During the Civil War, Congress passed the National Banking Acts of 1863 and 1864, which created nationally chartered banks and a uniform national currency. National bank notes could be issued only against federal government bonds, thus tying the money supply to the Treasury's debt rather than to the needs of the economy.[11] As a result, the currency was chronically inelastic (that is, the supply of cash in the economy was inflexible and unable to grow to meet sudden economic needs) regardless of economic conditions.[12] Because national bank notes were tied to federal bonds, banks in agricultural regions could not expand their lending to cash-strapped farmers during peak demand. As a result, interest rates in rural areas spiked sharply each autumn, short-term loans were denied, and farmers

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[8] United States, National Monetary Commission. The Federal Reserve System: A History of the Banking System of the United States. Government Printing Office, 1910. Accessed 11 Jan. 2026.

[9] Jackson, Andrew. Veto Message Regarding the Bank of the United States. 10 July 1832. The Avalon Project, Yale Law School, https://avalon.law.yale.edu/19th_century/ajveto01.asp. Accessed 13 Jan. 2026.

[10] Hammond, Bray. Banks and Politics in America: From the Revolution to the Civil War. Princeton University Press, 1957. Accessed 11 Feb 2026.

[11] Meltzer, Allan H. A History of the Federal Reserve, Volume 1: 1913-1951. University of Chicago Press, 2003. Accessed 17 Feb. 2026.

[12] "Founding of the OCC and the National Banking System." Office of the Comptroller of the Currency, U.S. Department of the Treasury, https://www.occ.treas.gov/about/who-we-are/history/founding-occ-national-bank-system.html. Accessed 15 Jan. 2026.

delayed payments and crop shipments.[13] An inelastic currency coupled with the lack of a central reserve were, to publisher Carter Glass, the "Siamese twins of disorder,”[14] stalling regional economies every year.

Trust Companies, Pyramiding, and Wall Street Power

By 1900, new financial institutions known as trust companies exploited gaps in regulation. Unlike national banks, trust companies faced lower reserve requirements and fewer restrictions, allowing them to invest heavily in stocks and call loans (short-term security-backed loans lent to stockbrokers to finance investments). Banks across the country deposited reserves in privately-owned New York banks, which deposited funds in trust companies and created a dangerous pyramid of interdependent obligations. When confidence faltered, withdrawals cascaded through the system, draining reserves and forcing asset fire sales.

The Panic of 1907 erupted when a failed attempt to corner the market in United Copper stock undermined confidence in several trust companies. Depositors rushed to withdraw funds, and as trust companies suspended payments, panic spread to banks and the stock exchange. With no central bank to supply emergency liquidity, the burden of rescue fell to private actors. Financier J. P. Morgan convened leading bankers and coordinated the issuance of clearinghouse loan certificates to substitute for cash.[15] Afterwards, newspapers,

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[13] Kemmerer, Edwin Walter. Seasonal Variations in the Relative Demand for Money and Capital in the United States. Government Printing Office, 1910. Accessed 9 Feb. 2026.
[14] Glass, Carter. "Financial Freedom Under Woodrow Wilson." Address at the Jefferson Day Celebration, Washington, D.C., 13 Apr. 1916. Statements and Speeches of Carter Glass, FRASER, Federal Reserve Bank of St. Louis. Accessed 2 Feb. 2026.
[15] Chernow, Ron. The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance. Atlantic Monthly Press, 1990. Accessed 17 Jan. 2026.

politicians, and reformers argued that a system requiring private improvisation to avert disaster could not be trusted to serve a democratic nation.

Ordinary Americans experienced the Panic of 1907 as a visible social crisis unfolding in public spaces. Newspapers described crowds of anxious depositors gathering outside trust companies in New York, where long lines formed before opening hours. The *New York Times* reported that depositors "crowded the doors" of the Knickerbocker Trust Company as withdrawals exceeded available cash, forcing a suspension of operations.[16] Similar scenes appeared across the country as fear spread. Personal accounts reveal that depositors rushed to banks to withdraw life savings. Local Midwest newspapers captured the absurdity of the crisis, noting that while the harvest was plentiful, "...[farmers] cannot get the money to move [their crops] because New York has locked it up in its vaults... It is a money famine in a land of plenty."[17] Financial instability manifested into a shared social experience, reinforcing demands for systemic reform.

As currency disappeared during the Panic, communities improvised alternative forms of exchange that reshaped everyday economic life. Local clearinghouses issued emergency loan certificates and merchants circulated clearinghouse script to substitute for cash in daily transactions. According to reports from the New York Clearing House Association, over $500 million in clearinghouse certificates were issued nationwide during the crisis.[18] In cities such as New York and Chicago, businesses accepted these certificates for wages and retail purchases, while workers received partial payment in substitute currency rather than federal banknotes. This temporary system demonstrated both the

[16] "Knickerbocker Trust Co. Suspends Payment." The New York Times, 23 Oct. 1907, p. 1. Accessed 1 Jan. 2026.
[17] "The Financial Situation." The Topeka State Journal, 28 Oct. 1907, p. 4. Library of Congress: Chronicling America, chroniclingamerica.loc.gov/lccn/sn82016014/1907-10-28/ed-1/seq-4/. Accessed 1 Dec. 2025.
[18] New York Clearing House Association. Annual Report of the New York Clearing House Association. 1908. Accessed 13 Jan. 2026.

fragility of the national currency and the extent to which financial instability directly altered ordinary commercial activity.

Still, financial instability disproportionately affected immigrant communities, many of whom relied on small banks or informal savings institutions in their communities. During periods of panic, these modestly-capitalized institutions frequently failed, wiping out the savings of working-class families. Investigations by the U.S. Immigration Commission reported that immigrant laborers distrusted large national banks and instead deposited wages in community-based financial institutions that lacked adequate reserves.[19] When these institutions collapsed during financial crises, entire neighborhoods experienced sudden economic hardship, intensifying social tensions and reinforcing demands for government regulation of banking practices.

From Crisis to Reform: Debating a Central Bank

In response, Congress established the National Monetary Commission to study banking systems worldwide. Senator Nelson Aldrich, a Republican aligned with Wall Street interests, emerged as a leading figure. After studying European central banks, Aldrich proposed a National Reserve Association[20]–a privately-controlled central institution dominated by bankers.[21] Although the plan promised stability and an elastic currency, critics condemned it as a blueprint for a “money trust” that would entrench

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[19] United States, Immigration Commission. Reports of the Immigration Commission: Immigrants in Industries. Government Printing Office, 1911. Accessed 7 Jan. 2026.
[20] Forbes, Bertie Charles. "Men Who Are Making America: Henry P. Davison." Leslie’s Weekly, vol. 123, no. 3189, 19 Oct. 1916, p. 423. Accessed 25 Feb. 2026.
[21] West, Robert Craig. Banking Reform and the Federal Reserve, 1863-1923. Cornell University Press, 1977. Accessed 1 Jan. 2026.

financial elites. Progressive reformers and agrarian populists rejected the Aldrich Plan, arguing that any central bank must be accountable to the public rather than to Wall Street.

Opposition to the Aldrich Plan rested on experience rather than political distrust. During the Panic of 1907, credit allocation had occurred behind closed doors, as Morgan and a small circle of financiers decided which institutions would receive imperative clearinghouse certificates and which would be allowed to fail. For small banks, merchants, and depositors excluded from these critical decisions, survival depended on their situational proximity to financial power. Reformers therefore rejected the notion that private bankers should coordinate financial-crisis responses because the 1907 panic demonstrated that discretionary rescue by elites translated into uneven protection for the public.[22]

Public suspicion of concentrated financial power further intensified after the Pujo Committee, a U.S. House of Representatives subcommittee, reported in 1912 that a small group of Wall Street financiers exercised control over major banks, trust companies, and corporations through interlocking directorates, which resulted in a "vast and growing concentration of control money and credit in the hands of a few men."[23] Their investigation documented how a Morgan-backed network influenced billions of dollars in capital.[24]

Testimony before the Committee also revealed that credit availability and interest rates varied dramatically between urban and rural regions, with farmers often paying significantly higher rates for short-term loans. Witnesses described how the concentration

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[22] Glass, Carter. An Adventure in Constructive Finance. Doubleday, Page, 1927, pp. 112-115. Accessed 26 Feb. 2026.

[23] United States, Congress, House, Committee on Banking and Currency. Report of the Committee Appointed Pursuant to House Resolutions 429 and 504 to Investigate the Concentration of Control of Money and Credit. Government Printing Office, 1913. Accessed 3 Jan. 2026.

[24] United States, Congress, House, Committee on Banking and Currency. Investigation of Financial and Monetary Conditions in the United States under House Resolutions Nos. 429 and 504. Government Printing Office, 1913. Accessed 11 Jan. 2026; Brandeis, Louis D. *Other People's Money and How the Bankers Use It*. Frederick A. Stokes Company, 1914. Accessed 26 Dec. 2025.

of reserves in New York banks restricted credit in agricultural regions during harvest seasons, forcing farmers to sell crops quickly at unfavorable prices or incur heavy debt[25]–John Snure, an agricultural journalist testifying before the Committee, stated, "I have seen the American farmer forced to pay twelve and fifteen percent for a small loan to keep his farm running, while at that very same moment, a speculator in New York could borrow a million dollars at two percent. This legislation must break that yoke."[26] The testimony reflected a broader perception among rural Americans that financial power was geographically concentrated and systematically disadvantaged agricultural communities. It also confirmed fears that private financiers exercised disproportionate influence over national economic life, strengthening public support for a federally supervised banking system.

The 1912 election brought Democrats to power under President Woodrow Wilson, who argued that "the control of the system of banking… must be public, not private, must be vested in the Government itself, so that the banks may be the instruments, not the masters, of business and of individual enterprise."[27] Under Wilson's leadership, Representative Carter Glass and Senator Robert Owen drafted a compromise that balanced regional autonomy with federal oversight–bolstered by the National Citizens' League, a $500,000 education campaign to convince skeptical voters to support a central bank.[28] Their proposal replaced a single centralized institution with a system of regional Reserve

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[25] United States, Congress, House, Committee on Banking and Currency. Changes in the Banking and Currency System of the United States. 63rd Congress, 1st sess., House Report No. 69, Government Printing Office, 1913. FRASER, Federal Reserve Bank of St. Louis, fraser.stlouisfed.org/files/docs/historical/congressional/19130909hr_changes_rpt69.pdf. Accessed 13 Feb. 2026.
[26] U.S. Congress, Senate. Banking and Currency: Hearings Before the Committee on Banking and Currency. 63rd Congress, 1st session, Government Printing Office, 1913, p. 891. Accessed 26 Jan. 2026.
[27] Wilson, Woodrow. "Address to a Joint Session of Congress on Reform of the Currency and Banking System." 23 June 1913. The American Presidency Project, www.presidency.ucsb.edu/node/206536. Accessed 4 Feb. 2026.
[28] Laughlin, J. Laurence. The Federal Reserve Act: Its Origin and Problems. Macmillan, 1933, pp. 67-82. Accessed 12 Feb. 2026.

Banks supervised by a central Federal Reserve Board appointed by the president to diffuse power geographically while ensuring national coordination and congressional control. The Federal Reserve Act passed in December 1913.[29]

The Federal Reserve Act of 1913

The Federal Reserve Act created a flexible currency that fluctuated in value adapting to the economy's needs.[30] Federal Reserve banknotes (cash) could be issued in response to economic needs and backed by debt instruments rather than by government bonds alone.[31] Member banks gained access to cheap loans from the Federal Reserve Bank (or, in legal terms, to a loan-providing discount window), allowing them to borrow from their regional Reserve Bank during periods of stress. This mechanism was designed to prevent panics by supplying liquidity before fear escalated into withdrawals and bank failures.

The Act also established a nationwide check-clearing system, which reduced reliance on correspondent banking networks and facilitated the movement of funds.[32] Twelve regional Federal Reserve Banks ensured that agricultural, industrial, and commercial interests across the country were represented.[33] While member banks owned

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[29] United States, Congress. Federal Reserve Act. Public Law 63-43, 63rd Congress, 23 Dec. 1913. Accessed 11 Feb. 2026.
[30] Warburg, Paul M. The Federal Reserve System: Its Origin and Growth: Reflections and Recollections. The Macmillan Company, 1930. Accessed 21 Feb. 2026.
[31] Willis, Henry Parker. The Federal Reserve: A Study of the Banking System of the United States. Doubleday, Page, 1915, pp. 60-75. Accessed 23 Jan. 2026.
[32] Highways of Commerce. Federal Reserve Bank of Kansas City, 2013, https://www.kansascityfed.org/documents/5647/highwaysofcommerce.pdf. Accessed 14 Jan. 2026.
[33] United States, Reserve Bank Organization Committee. Decision of the Reserve Bank Organization Committee Determining the Federal Reserve Districts and the Location of Federal Reserve Banks. Government Printing Office, 1914. Accessed 16 Dec. 2025.

stock in their regional Reserve Banks, the system operated under public supervision, with profits returned to the Treasury.

Impact and Significance on Wall Street and Main Street

After 1913, the Federal Reserve System (colloquially known as the Fed) gradually assumed its role as the nation's lender of last resort. The Fed's ability to expand the money supply and provide emergency credit marked a fundamental departure from the pre-1913 system. Now, the Fed's authority reduced the frequency and severity of banking panics, protecting ordinary Americans from sudden economic collapse. More broadly, the Act changed how financial crises were handled in everyday life. Instead of relying on self-serving private bankers to decide which institutions would be saved, the U.S. government assumed responsibility for maintaining the flow of credit and currency. The Federal Reserve Act altered everyday economic expectations by institutionalizing crisis response. Access to the discount window reduced the likelihood that solvent banks would suspend payments solely due to liquidity shortages, making it less likely that deposited wages would become temporarily inaccessible. The national check-clearing system reduced settlement delays that had previously caused merchants to refuse checks during panics.

For farmers, regional Reserve Banks expanded short-term credit availability during planting and harvest seasons, mitigating the annual cycle of cash shortages that had previously constrained wages and shipments.[34] These changes replaced improvised private rescue with predictable public mechanisms that constituted a new era of economic stability.

[34] Sanders, Elizabeth. Roots of Reform: Farmers, Workers, and the American State, 1877-1917. University of Chicago Press, 1999. Accessed 1 Jan. 2026.

Rural resentment had been documented in congressional investigations preceding the Federal Reserve Act. As Granger Oliver Wilson lamented, "The agricultural interests of this country have for years been the victims of a financial system that made them dependent upon the whims and the interests of the money centers."[35] The Fed ameliorated Wilson's critique.

Although the Federal Reserve Act was designed to prevent banking panics that had culminated in the Panic of 1907 by creating an elastic currency and a lender of last resort independent of private financiers, it was not equipped to manage the unprecedented economic collapse of the Great Depression. During the 1930s, the Federal Reserve allowed the U.S. money supply to contract by nearly one-third, failed to halt widespread bank failures,[36] and hesitated to use open-market financial operations such as treasury buybacks–because its decentralized structure left the twelve regional Reserve Banks divided and cautious.[37] These failures were compounded by the constraints of the gold standard, which discouraged monetary expansion and reinforced deflationary policies even as unemployment soared.

Economist Milton Friedman argued that the severity and duration of the Depression were deepened by central bank inaction, revealing that the Fed's early weakness lay in its limited authority, experience and economic doctrine.[38] Yet this was fundamentally altered through New Deal institutional and ideological reform, particularly the notion that federal

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[35] Wilson, Oliver. "Master's Address." Journal of Proceedings of the National Grange of the Patrons of Husbandry: Forty-Seventh Annual Session, National Grange Services, 1913, p. 14. Accessed 12 Jan. 2026.

[36] Wheelock, David C. The Strategy of Federal Reserve Monetary Policy in the 1930s. Cambridge University Press, 1991, pp. 12-15. Accessed 25 Feb. 2026.

[37] Eichengreen, Barry. Golden Fetters: The Gold Standard and the Great Depression, 1919-1939. Oxford University Press, 1992. Accessed 1 Jan. 2026.

[38] Friedman, Milton, and Anna Jacobson Schwartz. A Monetary History of the United States, 1867–1960. Princeton University Press, 1963. Accessed 17 Dec. 2025.

government spending would pull the United States out of economic depression. Across the twentieth century, the combined centralization of monetary authority (1913), the creation of the federal deposit insurance (1933),[39] and the subsequent abandonment of the gold standard (1971)[40] transformed the Federal Reserve into a stabilizing institution capable of expanding liquidity and preventing systemic bank failures.[41]

By transforming financial stability into a public duty, the Federal Reserve Act reshaped American capitalism and established expectations that endure more than a century later. Its legacy lies in the enduring belief that safeguarding economic security–especially during a crisis–is a responsibility shared by the nation as a whole, rather than a gamble placed in the hands of a few powerful individuals.

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[39] "1930–1939." 1930–1939 , Federal Depository Insurance Corporation, www.fdic.gov/history/1930-1939. Accessed 1 Dec. 2025; and Golembe, Carter Harry. The Deposit Insurance Legislation of 1933: An Examination of Its Antecedents and Its Purposes, Federal Reserve Bank of St. Louis, June 1960. https://fraser.stlouisfed.org/title/deposit-insurance-legislation-1933-3597. Accessed 21 Oct. 2025.

[40] Yergin, Daniel, and Joseph Stanislaw. The Commanding Heights: The Battle Between Government and the Marketplace that is Remaking the Modern World. Simon & Schuster, 1998. Accessed 13 Feb. 2026.

[41] Richardson, Gary, et al. "Banking Act of 1935." Federal Reserve History, 22 Nov. 2013, www.federalreservehistory.org/essays/banking-act-of-1935. Accessed 4 Feb. 2026.

Annotated Bibliography

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“Founding of the OCC and the National Banking System.” Office of the Comptroller of the Currency, U.S. Department of the Treasury, https://www.occ.treas.gov/about/who-we-are/history/founding-occ-national-bank-system.html. Accessed 15 Jan. 2026.

This official government source from the U.S. Treasury provides an institutional history of the national banking system created by the National Banking Acts of 1863 and 1864. As a federal agency record, it is highly reliable for understanding the regulatory framework that preceded the Federal Reserve. This source helped me explain how the national currency was tied to government bonds, creating the inelastic money supply that contributed to recurring financial crises.

New York Clearing House Association. *Annual Report of the New York Clearing House Association*. 1908. Accessed 13 Jan. 2026.

This primary report from the New York Clearing House Association documents the issuance of over $500 million in emergency clearinghouse certificates during the Panic of 1907. As an official institutional record published immediately after the crisis, it provides

reliable firsthand data on the improvised financial responses that substituted for a central bank. I used this source to illustrate how ordinary commercial life was disrupted when federally issued currency became unavailable.

United States, Congress. *Federal Reserve Act*. Public Law 63-43, 63rd Congress, 23 Dec. 1913. Accessed 11 Feb. 2026.

This is the actual text of the Federal Reserve Act, the central piece of legislation examined in my paper. As the enacted statute, is the most authoritative source on the structure and purpose of the Federal Reserve System. I referenced this source to accurately describe the Act's provisions, including the elastic currency, the discount window, and the creation of twelve regional Reserve Banks.

United States, Congress, House, Committee on Banking and Currency. *Investigation of Financial and Monetary Conditions in the United States under House Resolutions Nos. 429 and 504*. Government Printing Office, 1913. Accessed 11 Jan. 2026.

This congressional investigation, part of the Pujo Committee hearings, documented how a small group of Wall Street financiers controlled billions of dollars in capital through interlocking directorates. As an official congressional record, it provides authoritative evidence of the concentrated financial power that reformers sought to address. It helped me demonstrate why public suspicion of a “money trust” drove support for federal banking oversight.

United States, Congress, House, Committee on Banking and Currency. *Report of the Committee Appointed Pursuant to House Resolutions 429 and 504 to Investigate the Concentration of Control of Money and Credit*. Government Printing Office, 1913. Accessed 3 Jan. 2026.

This is the final report of the Pujo Committee, which concluded that a “vast and growing concentration of control of money and credit” existed in the hands of a few men. As the committee’s official findings presented to Congress, it carries significant authority–providing the key quotation and evidence I used to show how the investigation strengthened public demand for a federally supervised banking system.

United States, Congress, House, Committee on Banking and Currency. Changes in the Banking and Currency System of the United States. 63rd Congress, 1st sess., House Report No. 69, Government Printing Office, 1913. FRASER, Federal Reserve Bank of St. Louis, fraser.stlouisfed.org/files/docs/historical/congressional/19130909hr_changes_rpt69.pdf. Accessed 13 Feb. 2026.

The 1913 Glass Committee report accompanied the Federal Reserve Act bill and outlined the deficiencies of the national banking system that justified reform. It documented how reserve concentration in city banks restricted seasonal credit to agricultural regions, making crop marketing slow and expensive. As the official legislative rationale for creating the Federal Reserve, it is a key primary source on pre-Fed banking failures.

United States, Immigration Commission. *Reports of the Immigration Commission: Immigrants in Industries*. Government Printing Office, 1911. Accessed 7 Jan. 2026.

This federal commission report documented the banking practices and financial vulnerabilities of immigrant communities in the early twentieth century. As a government investigation with extensive field research, it is a reliable source on how immigrant laborers relied on small, undercapitalized banks. I used this source to show how financial instability disproportionately affected immigrant neighborhoods when these institutions collapsed during panics.

United States, National Monetary Commission. *The Federal Reserve System: A History of the Banking System of the United States*. Government Printing Office, 1910. Accessed 11 Jan. 2026.

Congress created the National Monetary Commission in direct response to the Panic of 1907, tasking it with studying banking systems across Europe and the United States to guide reform. This government publication offered reliable institutional context on the political controversies that had surrounded central banking since the early republic, including the battles over the First and Second Banks of the United States. It helped me

trace the long arc of American resistance to centralized financial authority that shaped the debates leading to the Federal Reserve Act.

United States, Reserve Bank Organization Committee. *Decision of the Reserve Bank Organization Committee Determining the Federal Reserve Districts and the Location of Federal Reserve Banks*. Government Printing Office, 1914. Accessed 16 Dec. 2025.

This federal record documents the specific decisions behind dividing the country into twelve Federal Reserve districts, each anchored by a regional Reserve Bank. The committee's choices reflected a deliberate effort to balance agricultural, industrial, and commercial interests geographically–a key point in my argument that the Act diffused financial power rather than concentrating it in one city. As an official government publication from the committee directly responsible for these decisions, it is among the most authoritative sources available on the Fed's regional structure.

U.S. Congress, Senate. *Banking and Currency: Hearings Before the Committee on Banking and Currency*. 63rd Congress, 1st session, Government Printing Office, 1913, p. 891. Accessed 26 Jan. 2026.

These Senate hearings contain firsthand testimony from witnesses who described the stark inequality between rural and urban credit access. As an official congressional record, the testimony is a reliable primary source reflecting the perspectives of those advocating for reform. I used agricultural journalist John Snure’s testimony from this source to illustrate how farmers paid dramatically higher interest rates than Wall Street speculators.

Speeches and Addresses

Glass, Carter. "Financial Freedom Under Woodrow Wilson." Address at the Jefferson Day Celebration, Washington, D.C., 13 Apr. 1916. *Statements and Speeches of Carter Glass*, FRASER, Federal Reserve Bank of St. Louis. Accessed 2 Feb. 2026.

Carter Glass, one of the principal architects of the Federal Reserve Act, delivered this address reflecting on the banking system's chronic dysfunction before 1913. His vivid description of inelastic currency and the absence of a central reserve as the "Siamese twins of disorder" gave my paper a powerful contemporary voice for the urgency reformers felt. The speech is preserved in FRASER, the Federal Reserve Bank of St. Louis's digital archive, making it a well-verified and accessible primary document.

Jackson, Andrew. *Veto Message Regarding the Bank of the United States*. 10 July 1832. The Avalon Project, Yale Law School, https://avalon.law.yale.edu/19th_century/ajveto01.asp. Accessed 13 Jan. 2026.

Jackson's veto of the Second Bank's re-charter is one of the most significant documents in the history of American central banking, framing the fight as ordinary citizens against a dangerous concentration of financial power. That populist language echoed for decades and directly foreshadowed the arguments Bryan and other reformers would make during

the Federal Reserve debates, making it essential context for my paper's narrative. The Avalon Project at Yale Law School, a well-established academic digital archive, hosts a reliable reproduction of the original text.

Wilson, Woodrow. "Address to a Joint Session of Congress on Reform of the Currency and Banking System." 23 June 1913. *The American Presidency Project*, www.presidency.ucsb.edu/node/206536. Accessed 4 Feb. 2026.

This speech by President Woodrow Wilson articulates his vision for public control of the banking system, arguing that banks must be "instruments, not the masters, of business." Archived by the American Presidency Project at UC Santa Barbara, a widely respected scholarly resource, it is a reliable primary source. I used Wilson's words to illustrate the political philosophy that shaped the Federal Reserve Act's emphasis on public accountability.

Periodicals and Newspapers

Bryan, William Jennings. "Asset Currency." *The Commoner*, vol. 7, no. 48, 13 Dec. 1907. Accessed 5 Feb. 2026.

Bryan was among the loudest voices opposing any banking reform that would strengthen Wall Street's grip on the nation's money supply, and this 1907 editorial captures that stance in real time. His warning that private asset currency would make Wall Street's already 'tyrannical' control even worse helped me illustrate the populist pressure that

pushed the Federal Reserve Act toward public oversight rather than banker-dominated governance. As a publication by one of the era's most influential political figures, written in the immediate aftermath of the panic, it is a credible window into agrarian populist thinking.

"The Financial Situation." ***The Topeka State Journal*****, 28 Oct. 1907, p. 4. Library of Congress: Chronicling America, chroniclingamerica.loc.gov/lccn/sn82016014/1907-10-28/ed-1/seq-4/. Accessed 1 Dec. 2025.**

This newspaper article from a Midwest newspaper captures the rural frustration during the Panic of 1907, describing a "money famine in a land of plenty." Accessed through the Library of Congress's Chronicling America database, it is a verified primary source. I used this article to show how local communities experienced the crisis and to convey the geographic inequality in the financial system from a Midwestern perspective.

Forbes, Bertie Charles. "Men Who Are Making America: Henry P. Davison." ***Leslie's Weekly*****, vol. 123, no. 3189, 19 Oct. 1916, p. 423. Accessed 25 Feb. 2026.**

Henry P. Davison was one of the Wall Street bankers who helped craft the Aldrich Plan, and this 1916 magazine profile offers a contemporary lens on the financial elites who drove early central banking proposals. It gave my paper useful context on the private

figures working behind the scenes. Published during the period itself, the profile reliably reflects how these bankers were perceived by the press and public at the time.

Gompers, Samuel. "The Panic and the Workers." ***American Federationist*****, vol. 15, no. 2, Feb. 1908, p. 112. Accessed 22 Jan. 2026.**

Written by Samuel Gompers, president of the American Federation of Labor, this article describes how working people were the first to suffer from financial crises caused by "high financiers." As a statement from the nation's leading labor leader published immediately after the panic, it is a reliable firsthand account. I used Gompers's words to demonstrate how the Panic of 1907 affected ordinary workers and fueled demands for reform.

"Knickerbocker Trust Co. Suspends Payment." ***The New York Times*****, 23 Oct. 1907, p. 1. Accessed 1 Jan. 2026.**

Few sources capture the human dimension of the Panic of 1907 as vividly as this front-page New York Times account of depositors crowding the Knickerbocker Trust Company's doors as it suspended operations. The reporting helped me show that the crisis played out in public spaces where ordinary people watched their savings become inaccessible. As same-day coverage from a major national newspaper, it is a highly reliable record of events as they unfolded.

Wilson, Oliver. “Master’s Address.” *Journal of Proceedings of the National Grange of the Patrons of Husbandry: Forty-Seventh Annual Session*, National Grange Services, 1913, p. 14. Accessed 12 Jan. 2026.

Oliver Wilson, speaking as the leader of the National Grange, one of the country's most prominent farmers' organizations, gave voice to years of rural resentment toward a financial system that left agricultural communities dependent on distant 'money centers.' His lament that farmers had long been 'victims' of that system provided my paper with a direct, emotionally grounded perspective from the people the Federal Reserve Act was partly designed to help. As an official record of the Grange's proceedings, it is a trustworthy representation of organized agrarian sentiment in the years leading up to reform.

Scholarly Articles

Andrew, A. Piatt. “Substitutes for Cash in the Panic of 1907.” *The Quarterly Journal of Economics*, vol. 22, no. 4, 1908, pp. 497–516. Accessed 11 Jan. 2026.

Written by a contemporary economist shortly after the Panic of 1907, this peer-reviewed article documents the emergency substitutes for cash–including clearinghouse certificates and merchant scrip–that communities used when federal currency became unavailable. Published in a leading economics journal, it is both a reliable scholarly work and a primary source reflecting the period's understanding. I used this source to quantify the approximately $500 million in substitute currency and to show how financial instability directly altered daily commercial activity.

Kemmerer, Edwin Walter. *Seasonal Variations in the Relative Demand for Money and Capital in the United States*. Government Printing Office, 1910. Accessed 9 Feb. 2026.

Kemmerer's study put hard data behind what farmers already knew from experience, that every autumn harvest brought a brutal cash squeeze, with call money interest rates spiking as high as 125 percent because the currency supply could not expand to meet seasonal demand. Commissioned by the National Monetary Commission as part of Congress's post-1907 reform effort, it carries the authority of a government-backed economic investigation. This source was critical for grounding my paper's discussion of inelastic currency in concrete evidence rather than political rhetoric alone.

Books and Memoirs

Brandeis, Louis D. *Other People's Money and How the Bankers Use It*. Frederick A. Stokes Company, 1914. Accessed 26 Dec. 2025.

Written by future Supreme Court Justice Louis Brandeis in 1914, this book exposed how a small group of bankers controlled the nation's credit through interlocking directorates.

As a contemporary work by a prominent progressive reformer drawing on Pujo Committee evidence, it is a reliable primary source on the "money trust" debate. I used this source alongside the Pujo Committee reports to document the concentrated financial power that the Federal Reserve Act sought to address.

Glass, Carter. *An Adventure in Constructive Finance*. Doubleday, Page, 1927, pp. 112–115. Accessed 26 Feb. 2026.

This memoir by Carter Glass, the congressman who co-authored the Federal Reserve Act, provides a firsthand account of the legislative process and the political compromises involved. As a primary account by one of the Act's architects, it offers an insider perspective, though it reflects Glass's own political viewpoint. I used this source to explain why reformers rejected the idea that private bankers should coordinate financial crisis responses after the failures of 1907.

Sprague, O. M. W. *History of Crises Under the National Banking System*. Government Printing Office, 1910. Accessed 23 Feb. 2026.

Published by the National Monetary Commission, this study by Harvard economist O. M. W. Sprague provides a detailed analysis of financial crises under the national banking system. As a government-commissioned scholarly work produced during the reform era, it serves as both a primary and secondary source. I used this source to establish the systemic fragility of the pre-1913 banking system, including unregulated deposit pyramiding and the rigid money supply.

Warburg, Paul M. *The Federal Reserve System: Its Origin and Growth: Reflections and Recollections*. The Macmillan Company, 1930. Accessed 21 Feb. 2026.

Written by Paul Warburg, a banker who played a central role in designing the Federal Reserve System, this book provides a firsthand account of the intellectual and political origins of the Act. As a memoir by one of the system's architects, it offers a valuable insider perspective on the creation of the elastic currency. I used this source to explain the core monetary innovation at the heart of the Federal Reserve Act.

Willis, Henry Parker. *The Federal Reserve: A Study of the Banking System of the United States*. Doubleday, Page, 1915, pp. 60–75. Accessed 23 Jan. 2026.

Written by Henry Parker Willis, who served as the expert adviser to the House Banking Committee during the drafting of the Federal Reserve Act, this book provides a near-contemporaneous scholarly analysis of the new system. As a work by a direct participant in the legislation, it is both a primary account and an authoritative study. I used this source to explain how Federal Reserve banknotes could be issued based on the needs of commerce rather than being tied to government bonds alone.

Secondary Sources

Books

Bruner, Robert F., and Sean D. Carr. *The Panic of 1907: Lessons Learned from the Market's Perfect Storm*. John Wiley & Sons, 2007. Accessed 11 Feb. 2026.

This well-researched book provides a detailed narrative of the Panic of 1907, including the failed United Copper corner and J. P. Morgan's emergency intervention. Written by business school professors using extensive primary documentation, it is a reliable secondary source. I used this source to establish the key facts of the panic, including the $8 million deposit drain, near-100 percent interest rates, and the stock market's nearly 50 percent decline.

Chernow, Ron. *The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance*. Atlantic Monthly Press, 1990. Accessed 17 Jan. 2026.

This award-winning biography of the Morgan banking dynasty provides detailed accounts of J. P. Morgan's role during the Panic of 1907, including the dramatic scene of bankers locked in his library until early morning. Written by a National Book Award–winning historian, it is a highly credible source. I used this source to illustrate how the burden of financial rescue fell to private actors in the absence of a central bank.

Eichengreen, Barry. *Golden Fetters: The Gold Standard and the Great Depression, 1919–1939*. Oxford University Press, 1992. Accessed 1 Jan. 2026.

This scholarly work by an economics professor at UC Berkeley analyzes how the gold standard constrained monetary policy and deepened the Great Depression. Published by

Oxford University Press, it is a peer-reviewed and widely cited source. I used this source to explain how the Federal Reserve's decentralized structure and gold standard constraints limited its effectiveness during the 1930s.

Friedman, Milton, and Anna Jacobson Schwartz. *A Monetary History of the United States, 1867–1960*. Princeton University Press, 1963. Accessed 17 Dec. 2025.

This landmark work by Nobel laureate Milton Friedman and economic historian Anna Schwartz argues that the Federal Reserve's failure to act decisively deepened and prolonged the Great Depression. As one of the most influential works in monetary economics, it is an authoritative source. I used Friedman's argument to demonstrate that the Fed's early weakness lay in limited authority and economic doctrine rather than in the concept of central banking itself.

Hammond, Bray. *Banks and Politics in America: From the Revolution to the Civil War*. Princeton University Press, 1957. Accessed 11 Feb. 2026.

This Pulitzer Prize–winning history examines the political battles over banking from the founding era through the Civil War, including the demise of the First and Second Banks of the United States. Published by Princeton University Press, it is a highly regarded scholarly work. I used this source to provide context on the "free banking" era that followed Jackson's veto, when state-chartered banks issued notes with uneven supervision.

Laughlin, J. Laurence. *The Federal Reserve Act: Its Origin and Problems*. Macmillan, 1933, pp. 67–82. Accessed 12 Feb. 2026.

Written by University of Chicago economist J. Laurence Laughlin, who helped organize the National Citizens' League that promoted banking reform, this book provides a detailed account of the public education campaign to build support for a central bank. As a work by a direct participant in the reform movement, it offers unique insight. I used this source to document the $500,000 education campaign that helped convince skeptical voters to support the Federal Reserve Act.

Lowenstein, Roger. *America's Bank: The Epic Struggle to Create the Federal Reserve*. Penguin Press, 2015. Accessed 2 Feb. 2026.

This narrative history by a respected financial journalist provides a comprehensive account of the political and economic forces that led to the Federal Reserve Act. Extensively researched and widely reviewed, it is a reliable and accessible secondary source. This book served as my foundational secondary source, helping me understand the overall arc from the Panic of 1907 through the legislative compromises that produced the Act.

Meltzer, Allan H. ***A History of the Federal Reserve, Volume 1: 1913–1951*****. University of Chicago Press, 2003. Accessed 17 Feb. 2026.**

This comprehensive institutional history by economist Allan Meltzer examines the Federal Reserve's first four decades in meticulous detail. Published by the University of Chicago Press, it is one of the most authoritative works on the Fed's early operations. I used this source to explain how the National Banking Acts tied the money supply to Treasury debt rather than economic needs, creating the structural problems the Federal Reserve Act addressed.

Sanders, Elizabeth. ***Roots of Reform: Farmers, Workers, and the American State, 1877–1917*****. University of Chicago Press, 1999. Accessed 1 Jan. 2026.**

Sanders argues that farmers and workers were not passive beneficiaries of Progressive Era reform but active political forces who shaped legislation–including the Federal Reserve Act–to address their needs. Her analysis helped me support the claim that regional Reserve Banks expanded short-term credit during planting and harvest seasons, directly alleviating the annual cash shortages that had crippled agricultural communities for decades. Published by the University of Chicago Press, it is a rigorously researched and widely respected work of political history.

West, Robert Craig. *Banking Reform and the Federal Reserve, 1863–1923*. Cornell University Press, 1977. Accessed 1 Jan. 2026.

This scholarly study analyzes the evolution of banking reform proposals from the National Banking Acts through the Federal Reserve's early years. Published by Cornell University Press, it is a reliable academic source. I used this source to explain how the Aldrich Plan proposed a privately controlled National Reserve Association and why progressive reformers rejected it in favor of a publicly accountable system.

Wheelock, David C. *The Strategy of Federal Reserve Monetary Policy in the 1930s*. Cambridge University Press, 1991, pp. 12–15. Accessed 25 Feb. 2026.

This academic study by a Federal Reserve Bank economist examines the Fed's policy failures during the Great Depression, including its failure to halt widespread bank failures. Published by Cambridge University Press, it is a peer-reviewed and authoritative source. I used this source to explain how the Federal Reserve allowed the money supply to contract by nearly one-third during the 1930s, revealing the limitations of the original 1913 framework.

Yergin, Daniel, and Joseph Stanislaw. *The Commanding Heights: The Battle Between Government and the Marketplace that is Remaking the Modern World*. Simon & Schuster, 1998. Accessed 13 Feb. 2026.

This widely read book examines the twentieth-century struggle between government regulation and free markets across the global economy. Written by Pulitzer Prize–winning author Daniel Yergin, it is a credible and well-researched source. I used this source to contextualize the abandonment of the gold standard in 1971 as part of the broader transformation that allowed the Federal Reserve to become a fully effective stabilizing institution.

Articles and Online Sources

"1930–1939." Federal Deposit Insurance Corporation, www.fdic.gov/history/1930-1939. Accessed 1 Dec. 2025.

This official FDIC webpage provides an institutional history of the creation of federal deposit insurance during the 1930s. As a government agency source, it is highly reliable for understanding the regulatory reforms that followed the Great Depression. I used this source to support my argument that the creation of federal deposit insurance in 1933 built upon the Federal Reserve Act's foundational principle that economic stability is a public responsibility.

Golembe, Carter Harry. *The Deposit Insurance Legislation of 1933: An Examination of Its Antecedents and Its Purposes*. Federal Reserve Bank of St. Louis, June 1960.

https://fraser.stlouisfed.org/title/deposit-insurance-legislation-1933-3597. Accessed 21 Oct. 2025.

Golembe's article digs into the political and economic forces behind the 1933 deposit insurance legislation, examining why Congress decided the federal government–not just banks themselves–should guarantee ordinary Americans' savings. Paired with the FDIC's own institutional history, it helped me build the case that New Deal reforms were a natural extension of the principle the Federal Reserve Act established in 1913: that financial stability is a public responsibility. Hosted on FRASER, the Federal Reserve Bank of St. Louis's respected digital archive, it is a well-preserved and credible academic source.

"Highways of Commerce." Federal Reserve Bank of Kansas City, 2013, https://www.kansascityfed.org/documents/5647/highwaysofcommerce.pdf. Accessed 14 Jan. 2026.

This publication by the Federal Reserve Bank of Kansas City explains the development of the national check-clearing system established by the Federal Reserve Act. As an official Federal Reserve publication, it is a reliable source on the Act's operational mechanisms. I used this source to describe how the check-clearing system reduced reliance on correspondent banking networks and sped the movement of funds across the country.

Moen, Jon, and Ellis Tallman. "The Panic of 1907." *Federal Reserve History*, 4 Dec. 2013, https://www.federalreservehistory.org/essays/panic-of-1907. Accessed 26 Jan. 2026.

Moen and Tallman trace how the Panic of 1907 cascaded outward from New York – trust companies suspending payments, correspondent banks across the country refusing withdrawals, factories shutting down when payroll cash couldn't be obtained. Their essay, published on the Federal Reserve's official history website, combines academic rigor with accessibility, making it a reliable and well-sourced secondary account. It helped me connect the financial mechanics of the panic to the real disruptions experienced on Main Streets nationwide.

Richardson, Gary, et al. "Banking Act of 1935." *Federal Reserve History*, 22 Nov. 2013, www.federalreservehistory.org/essays/banking-act-of-1935. Accessed 4 Feb 2026.

This essay on the Federal Reserve's official history website examines the Banking Act of 1935, which centralized monetary authority and strengthened the Federal Reserve Board. As a Federal Reserve publication by academic historians, it is a reliable source. I used this source to explain how subsequent legislation built upon the 1913 Act to transform the Federal Reserve into an institution capable of expanding liquidity and preventing systemic bank failures.