The Great Debate on Banking Reform

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“Wicker is a highly regarded authority on the history of banking and monetary policy in the U.S. and, as this book shows, he continues to publish influential work in this vein. This book examines how politicians, bankers, and, most of all, the American public shifted from opposing central banking to embracing it, with the passage of the Fed Act of 1913. It is a well-researched corrective to some commonly held myths about the origins of one of our most powerful policymaking institutions.”

—J. Lawrence Broz, University of California, San Diego

“The strength of Wicker’s book is presenting a well-organized history of the central bank reform movement in the United States that heralds the role of Aldrich, whose importance is in danger of being forgotten. Indeed, Wicker skillfully and convincingly restores Nelson Aldrich to his rightful place alongside Carter Glass as a cofounder of the Fed. Both authoritative and entertaining, The Great Debate on Banking Reform could easily be adopted in classes focusing on American economic and business history.”

—Mark Toma, University of Kentucky

Eminent historian of economics Elmus Wicker examines the events which spurred a series of banking panics beginning in 1893–94, that led to the creation of the U.S. Federal Reserve Bank twenty years later. A serious lacuna exists in the literature on the origins of the Federal Reserve System. What is absent is a fair appraisal of the role Senator Nelson Aldrich, prominent Rhode Island senator, played. Carter Glass captured the acclaim while asserting that Aldrich be granted equal billing with Glass as “fathers” of the Federal Reserve System.

That claim is based on the fact that Aldrich removed three formidable obstacles that lay in the path to the establishment of a U.S. central bank. He can be credited with overcoming the shibboleth against a central bank which has its own origins in the nineteenth-century Jackson-Biddle feud over the renewal of the Charter of the Second Bank of the United States. In a single stroke he removed asset-based currency proposals from the banking reform agenda and substituted a central bank. Aldrich provided the necessary congressional leadership that was notoriously absent before 1908. He drafted the Aldrich bill which called for a central bank many of whose provisions appear in the Federal Reserve Act. Wicker paints a detailed picture of the history of this now-essential structure in the U.S. economy.

Elmus Wicker is Professor Emeritus at Indiana University.

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