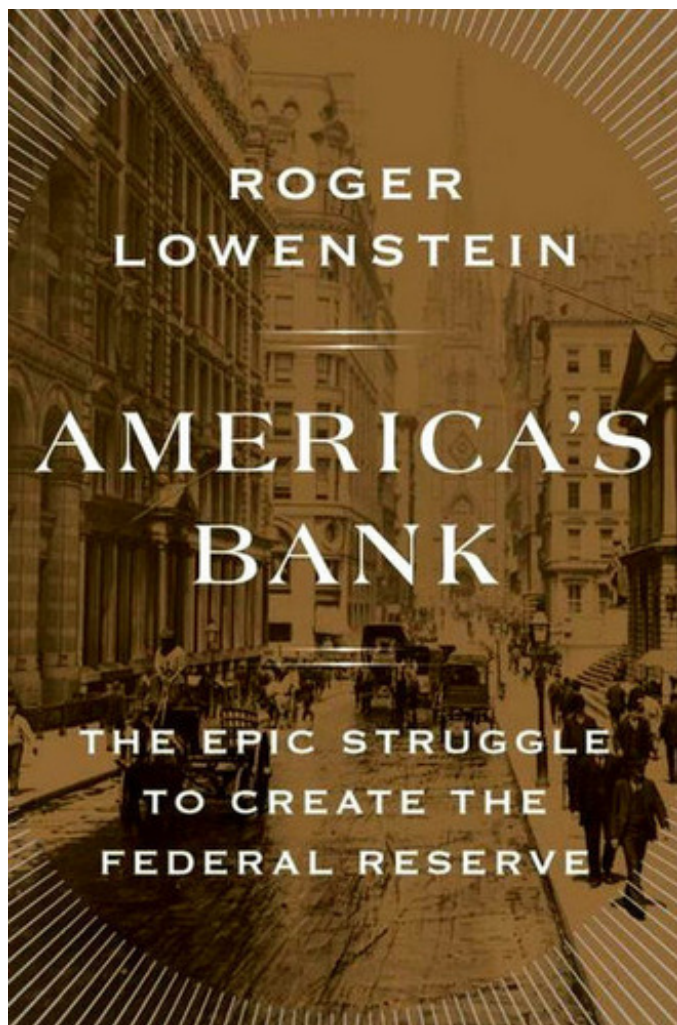


'America's Bank' makes readers think

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"America's Bank: The Epic Struggle to Create the Federal Reserve" by Roger Lowenstein. New York: Penguin Press (Random House), 2015, 368 pages, \$29.95.



"This book tells the story of how, culminating in the days before Christmas 1913, the Federal Reserve came to be," Roger Lowenstein explains near the beginning of "America's Bank: The Epic Struggle to Create the Federal Reserve," his recent account of the founding of one of the world's most contentious financial institutions. "It was not a gentle or an easy birth, nor was it swift."

"To Americans of the early 20th century, especially farmers, the prospect of a central bank threatened the comfortable Jeffersonian principle of small government," he writes. "To a people for whom autonomy was sacrosanct, the notion of a powerful bank, joined to the even more powerful federal government, was deeply unnerving. Opposition of central authority had animated the minutemen at Lexington and Concord, and the battle to establish the Fed resembled a second American revolution – a financial revolution."

"America's Bank" is extensively researched, with 63 pages of source notes at the conclusion of the introduction and 14 chapters comprising the main text. Lowenstein's use of

primary sources to flesh out the cast of characters populating the book gives it an aura of authenticity sometimes missing from similar efforts that tend to focus more exclusively on chronicling the same events in a more straightforward manner. By the time I got to the second half of the volume, I felt as though I understood not only what happened, but why it happened and what those who brought the Federal Reserve into existence felt about it. Lowenstein does a marvelous job of exposing and dissecting the multi-faceted motivations of everyone involved.

Structurally, the book is written in two major sections: "Part One: The Road to Jekyll Island," which consists of the first seven chapters, and "Part Two: The Legislative Arena," which encompasses the remaining seven chapters. The story Lowenstein weaves traces the origins of the cultural and political landscape that led to the eventual establishment of the Federal Reserve System. The literary style can be pretty heavy on analysis and extraordinarily detailed in places, but

the narrative is nonetheless a fascinating and relevant case study in the ongoing tensions that perpetually characterize the relationship between government and the private sector.

The book illuminates the complexity as well as the duplicity that often epitomizes defining moments in our nation's long and sometimes less than admirable history. One of the pivotal characters in the book is Nelson Aldrich, a U.S. senator from Rhode Island who played a major role in the creation and design of the central banking system that came into existence when President Woodrow Wilson signed the Federal Reserve Act into law in 1913.

A Freemason, he was dubbed the "general manager of the nation" by the press; he and his Republican colleagues largely controlled the decision-making process in the Senate through the first decade of the 20th century. "Progressivism," the sixth chapter, was no doubt one of my personal favorites – particularly since many of the issues Lowenstein outlines in this section still dominate much of the political discourse today. See if you can spot the parallels, keeping in mind that the period described is around a hundred years ago:

"Aldrich was unprepared to deal with the progressives. He did not fully appreciate that the movement was about more than just a series of laws regulating food safety and railroad fares. Progressivism embodied an attitudinal shift toward a more benevolent and representative society; it was concerned with elevating the condition of the poor and giving a greater say, and a greater role, to the swelling ranks of the middle class. Its guiding ethos was that education and empirical research could foster scientific, nonpartisan reform – although very little that progressivism achieved was actually nonpartisan. Its effects were seen over a wide range of topics: settlement houses, worker pensions, primary elections, corporate regulations and the growth of public schools."

Lowenstein is an influential financial writer whose articles have appeared in *The Wall Street Journal*, *Smart Money*, *The New York Times*, *The New York Times Magazine*, *Fortune* and *Atlantic Monthly*. His previous books include "When Genius Failed: The Rise and Fall of Long-Term Capital Management," "Buffett: The Making of an American Capitalist," "The End of Wall Street," "While America Aged: How Pension Debts Ruined General Motors," and "Origins of the Crash: The Great Bubble and Its Undoing."

As any good book should, "America's Bank" makes you think about things on multiple levels. As you read the following passage from "Jekyll Island," the seventh chapter, see if you can pick up on the overarching point Lowenstein is making about one of the principal differences between the time period covered in the book and the modern era:

"The mission to Jekyll Island was undertaken in rare seclusion. Today it is a lost art, but in 1910, a prominent U.S. senator and some of the leading men of Wall Street could drop off the grid without a trace and plot a complete overhaul of the banking system. Nelson Aldrich insisted on absolute secrecy, knowing that any plan would be doomed if it could be traced back to Wall Street. He deliberately picked bankers who were senior enough to be able to leave work and cancel appointments on a moment's notice."

Obviously, today's advanced communications technology combined with the intrusive investigative journalism that has come to dominate all aspects of our world would make holding such a meeting exceedingly challenging. If you want to understand the underlying reasons for the Great Recession we recently experienced, you have to go back to the time described by Lowenstein to see how the stage was unmistakably set by our predecessors. The journey he takes us on is worth the price of admission. I recommend this one highly.

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